EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.31,110 © THE FINANCIAL TIMES LIMITED 1990 | Wednesday March 28 1990 | ΦD 8523A

ZIMBABWE POLL
Invitation to a one-party state
Page 6

World News

US, Mexico take step towards free trade area

Mexico and the United States have decided to forge closer trade links with a view to an eventual agreement creating a fully fledged North American free trade area.

Mexico is the fourth biggest trading partner of the US after Japan, Canada and the EC. Two-way trade last year totalled $52bn. Page 18

De Benedetti denial

Magistrates in Milan investigating the 1982 Banco Ambrosiano collapse questioned Olivetti chairman Carlo De Benedetti for six hours. He was ordered to appear on suspicion of fraudulent bankruptcy but has not been charged and denies any wrongdoing.

Collor thinks again

President Fernando Collor de Mello of Brazil bowed to political pressure and withdrew measures which granted police sweeping powers to enforce economic controls. Page 5

Court ruling fear

The European Court of Justice upheld a Portuguese construction company's right to do subcontract work on French soil using its own employees. The ruling has far-reaching implications. Page 2

Boat people return

A group of 106 Vietnamese boat people flew home voluntarily from Hong Kong, the 15th group to do so under a UN programme.

Sisulu hopeful

Veteran African National Congress leader Walter Sisulu said the latest township violence should not threaten ANC talks with Pretoria. Violence lingers, Page 18

China missile sales

China is reported to have begun exporting short-range ballistic missiles, probably to Iran or Iraq, to raise badly needed cash. Page 6

Athens bomb blitz

A series of explosions destroyed 12 cars belonging to east bloc and Arab diplomats in Athens. No one was hurt.

Stalin's victims

A mass grave containing the remains of Germans said to have been shot by Stalin's security police after the Second World War has been found in woodlands near Berlin.

Doctor shot dead

A doctor who force-fed jailed members of the Spanish left-wing guerrilla group Grapo when they went on hunger strike was shot dead at his surgery in Zaragoza.

Kabul rocket toll

Twenty-seven people were killed and 22 injured when Afghan rebels fired rockets into residential areas of Kabul, according to Kabul radio.

Novelist sentenced

French novelist Françoise Sagan was given a six-month suspended jail sentence in Lyon for drug use and possession.

TV signal jammed

Television Marti, a US-funded news and entertainment station based in Florida, beamed signals to Cuba for the first time and the Cuban government said it jammed the broadcast after just 10 minutes.

An Oscar at 80

Jessica Tandy, 80, won a Hollywood Oscar as best actress for her role in *Driving Miss Daisy*. Daniel Day-Lewis won best actor as the crippled Irish writer Christy Brown in *My Left Foot*.

Love in the cloister

Two neighbouring monasteries near Rouen, France, have been left leaderless after the abbot and prioress resigned, citing an emotional attachment.

Business Summary

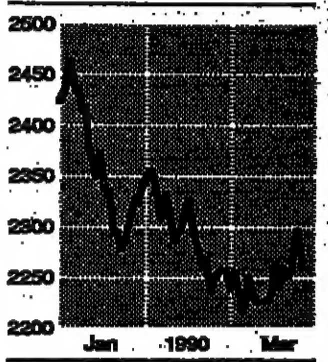
Ford chief to replace Egan as head of Jaguar

Sir John Egan, chairman of Jaguar the UK luxury car maker that was taken over by Ford of the US for £1.6bn ($2.56bn) last November, is to leave the company at the end of June.

He will be replaced as chairman and chief executive by Mr Bill Hayden, vice-president of Ford of Europe's manufacturing group, who has been leading the US group's transition team at Jaguar. Page 18

LONDON stocks came down to earth with a bump following a string of disappointing corporate results and a lack of impetus in Tokyo. The FT-SE index fell more than 30 points in significantly increased trading volume. London Stock Exchange, Page 33

FT-SE 100 Index



SWISSAIR, Scandinavian Airlines Systems, Finnair and Austrian Airlines are breaking new ground by asking aircraft manufacturers to tender for 240 narrow-bodied twin-engine airliners worth a total of about $12bn. Page 4

VICKERS, engineering, defence and Rolls-Royce cars group, has conditionally agreed to pay £163.5m ($262m) for Cosworth Engineering, specialist in high-performance car engines. Page 19

T&N, engineering and automotive components group, is making its biggest acquisition in four years with a $190m recommended offer for J.P. Industries, US vehicle parts company. Page 19

DAVY, UK's largest engineering contracting company, is acquiring part of Spie-Batignolles, French construction concern, in a deal in which the French group will take a 14.7 per cent stake in Davy. Page 19

POLAND is likely to resist a proposal by western banks that it pay 15 per cent of the interest due to them this year. Page 3

SOUTH Korea's economy grew less than 7 per cent last year, the smallest increase since 1981, the Bank of Korea reported. Page 6

TAIWAN will allow European and US companies to bid to supply trains for the new Taipei underground system but Japanese companies are to be excluded. Page 4

MOTOR industry: European Commission has taken action against Peugeot, French car company, for preventing its dealers selling Peugeot cars to a company which shops around for the cheapest deals in Europe. Page 2

LAFARGE Coppée, world's second largest cement producer, announced a 16 per cent increase in group net profits for last year. Page 20

CIRCLE K, second biggest US convenience store chain, reported a net loss for the third quarter on falling sales as the company continues to suffer from stiff competition in its main markets and high debt. Page 20

CATHAY PACIFIC Airways, Hong Kong's international air carrier which is a listed subsidiary of the Swire Pacific group, declared attributable net profits of HK$3.32bn ($425.6m) for last year. Page 24

MOSCOW ACCUSED OF 'INEXCUSABLE AGGRESSION' AS PRESSURE ON REPUBLIC GROWS

Tension rises in Lithuania

By Mark Nicholson in Moscow

RELATIONS between the rebellious republic of Lithuania and Moscow deteriorated sharply yesterday after Soviet paratroops staged a dawn raid to capture Red Army deserters in the republic and seized the Communist Party's headquarters.

Lithuanian leaders responded by writing to Mr Mikhail Gorbachev, the Soviet leader, accusing him of "inexcusable aggression" after the military actions, although Soviet leaders continued throughout the day to insist that no force would be used against the republic as such.

In Paris, General Dmitry Yazov, the Soviet Defence Minister denied that Soviet troops had carried out armed action in Lithuania.

"Everything will be solved by peaceful means," he said at the start of a four-day visit to France. Army deserters seized in Lithuania "must be taken back to their military units."

However, Mr Vitautis Landsbergis, the Lithuanian President, for the first time openly accused Mr Gorbachev of planning to use force against the republic. He said yesterday: "It is obvious that the Soviet armed forces have been given permission to use violence."

Mr Landsbergis and Mrs Kazimira Prunskiene, the Prime Minister, asked Mr Gorbachev for immediate talks on neutral territory.

In a plea for international backing, Mr Landsbergis said: "We raise this question to democratic nations – Is the West once again willing to sell Lithuania to the Soviet Union?"

Moscow meanwhile moved to assert stronger control over the republic by ordering all foreign journalists, businessmen and diplomats to leave on the expiry of their visas, and forbidding any such people entry for an indeterminate period.

Lithuanians remonstrate with a Soviet army officer following the takeover of Communist Party headquarters in Vilnius yesterday

General Valentin Varennikov, commander of Soviet land forces, confirmed that paratroops sent to Vilnius, the Lithuanian capital, had been deployed to protect industrial and defence enterprises saying the Lithuanian Interior Ministry was not prepared to enforce Soviet laws.

Tass, the Soviet news agency, also reported Soviet forces to be stepping up the guard of border posts around Lithuania, quoting military commanders as claiming that moves by the Lithuanian Government to set up its own border posts was a provocative act in breach of Soviet law.

Tensions within the republic, which had been sharply heightened by the early morning raids, relaxed appreciably after a pro-Moscow rally in Vilnius, the Lithuanian capital, yesterday afternoon went off without incident and with a much smaller turnout than expected.

Early morning rumours swept Vilnius that the rally, advertised on Monday and yesterday by leaflets dropped from military helicopters, might serve as a pretext for further military intervention and perhaps an attempt to seize the Supreme Soviet building.

In the event, only an estimated 5,000 people turned up for a peaceful and largely unpoliced rally. After a rendition of the Soviet national anthem, a series of speakers protested that the pro-independence government had abused the rights of the minority Russian community living in Lithuania.

Journalists reached by telephone in Vilnius said that 14 deserters from the Red Army were recaptured in a series of dawn raids on psychiatric hospitals in Vilnius and Kaunas and some private homes in which they had sought refuge. They said up to 23 deserters had escaped.

Eyewitnesses said troops with machine guns beat the deserters and dragged them into military vehicles. Mr Juozas Olekas, the Lithuanian Health Minister, said: "We found traces of blood on the stairwells. People were beaten, driven outside, put in the vehicles and taken away."

In Moscow, Mr Gennady Gerasimov, Soviet foreign ministry spokesman, insisted that both the recapture of deserters and the military occupation of Communist Party headquarters were both straightforward enforcements of Soviet law.

There were no signs yesterday that Moscow and Lithuania were any closer to opening talks.

Shadow boxing in Lithuania, Editorial comment, Page 16

Comecon takes first steps to dismantle itself

By Leslie Colitt and John Lloyd in Prague

THE SOVIET UNION and its six east European trade partners have agreed on a radical downgrading of the Council for Mutual Economic Assistance (Comecon) in an important step towards the dismantling of the organisation.

Senior Comecon officials meeting in Prague decided yesterday to abolish two of the group's most important and unpopular functions – multilateral co-operation and co-ordination of plans. Both were Soviet-inspired creations of the central planning system and neither worked. Instead, bilateral trade and contacts are to be emphasised, the officials said. The importance of Comecon's secretariat, permanently headed by a Soviet official, is to be sharply reduced. Mr Vladimir Dlouhy, the Czechoslovak Deputy Prime Minister who is also his country's chief representative at Comecon, said: "Essentially the secretariat is at an end."

It would become an "information centre" similar to that of the Organisation for Economic Co-operation and Development. For the time being the secretariat would remain in its Moscow headquarters.

The Comecon experts, who have been meeting in Prague since early this month to prepare sweeping reforms, will hold their last session tomorrow. Their recommendations will be submitted to senior ministers responsible for Comecon who will convene in Prague on April 20.

The experts will then fill in details and a final meeting of ministers is to be held in the latter part of May to prepare for a full-scale Comecon summit to approve the reforms.

A parallel group of Comecon legal experts meeting in Warsaw has radically altered the organisation's constitution. Stalinist phrases such as the "building of socialism" were expunged and a constitution is taking form which will resemble that of other loose economic groupings.

In spite of the surprisingly wide degree of unanimity achieved in Prague, an important difference emerged. Czechoslovakia said it would be desirable for Comecon members to be able to join other economic groups such as the European Free Trade Association and the EC, but the proposal was blocked by the Soviet Union.

The Comecon group of experts was created by the last summit meeting in Sofia in January, which recommended sweeping reforms and agreed gradually to shift Comecon trade on to a hard currency basis.

Soviet call for market solution, Page 3

UK monopolies board to probe BA deal with KLM and Sabena

By Andrew Hill and Paul Betts in London and Tim Dickson in Brussels

THE British Government has referred a planned joint venture between British Airways and KLM Royal Dutch Airlines and Sabena of Belgium to the Monopolies and Mergers Commission, the UK anti-cartel body.

The Commission is to look specifically at BA's £34m ($55m) acquisition of a 20 per cent stake in Sabena World Airlines, a European joint venture, in December.

The EC is already looking at the wider European effects of the agreement, but has yet to start a formal investigation.

The MMC will focus on the implications for UK passengers of BA and Sabena. It will not examine the effects of collaboration between KLM and BA.

The move, announced yesterday by Mr Nicholas Ridley, UK Trade and Industry Secretary, angered BA, which said it was "quite astounded" by Mr Ridley's "ludicrous" decision.

The airline also threatened to withdraw from the deal until September, when new European Community merger regulations come into force. BA claimed the rules would put the joint venture agreement out of reach of the UK merger authorities.

Other UK airlines, including British Midland and Air Europe, have complained to the European Commission and the UK's Office of Fair Trading, which examines planned deals for possible referral by the minister, about the deal.

They are concerned about the potential for BA and Sabena to influence the market for passenger flights between Britain and Belgium and the effect on competition for limited take-off and landing slots at European airports.

KLM and BA each owns 20 per cent of SWA, which conducts all Sabena's airline operations. The Belgian company has retained a 60 per cent controlling stake.

Between them Sabena and BA account for more than 70 per cent of the 1.25m passengers carried between Britain and Belgium. Air Europe, the next largest competitor, has less than 10 per cent of the same market.

The MMC is expected to submit its report to Mr Ridley by June 28. If it were to decide the links were anti-competitive, Mr Ridley could force BA to unscramble the deal or dispose of some of its routes between Belgium and the UK.

The joint venture provides the basis of KLM and BA's plans to develop Brussels as another European hub airport. Lord King, BA's chairman, said yesterday it would improve choice and provide long-term benefits for consumers.

However, Sir Leon Brittan, EC Competition Commissioner, is concerned at the way in which European airlines are trying to bolster their positions in the face of both greater worldwide competition and deregulation closer to home.

The European Commission was granted enhanced powers at the time of the first air transport deregulation agreement in December 1987 to ensure that the changing structure of the European industry would not negate the advantages which have been secured through liberalisation.

Daimler to forge aero engine link with United Technologies

By David Marsh, Roderick Oram and Paul Betts

DAIMLER-Benz, the West German conglomerate, is to pool its aircraft engine activities with those of United Technologies, the US engineering group, marking a further step by West Germany's biggest company towards becoming an international force in the aerospace industry.

The deal, which will lead to cross-shareholdings being taken in each other's aero-engines subsidiaries, will forge a German-US alliance likely to rival the co-operation between General Electric of the US and Snecma of France.

It came three weeks after Daimler announced that it was considering a range of joint ventures with Mitsubishi, the Japanese industrial grouping, in the automobile, aerospace, electronics and service sectors.

Mr Edzard Reuter, the Daimler chairman, who finalised last autumn the acquisition of Messerschmitt-Bölkow-Blohm, Germanys main aerospace company, is seeking ways to expanding the group's activities in civilian aerospace.

Daimler and United Technologies, announcing a memorandum of understanding yesterday, said the capital stakes will be agreed after final details are settled. They are likely to be relatively small, in line with stakes Daimler has suggested taking in several European aerospace companies.

The two groups' engine subsidiaries – Motoren-und Turbinen-Union (MTU) and Pratt & Whitney – will bring together production, research and development for civil aero-engines on selected new projects.

The companies, which have been cooperating for several years on individual engine programmes, will combine marketing operations and cooperate in component production and investment planning so as to avoid duplication.

Although not as far-ranging as the potential alliance with Mitsubishi, the partnership with United Technologies confirms Daimler's ambitions to assemble a network of worldwide accords bolstering its role in the aerospace business.

Mr Jürgen Schrempp, the chairman of Deutsche Aerospace, the holding company for MTU in the new Daimler corporate structure, said the agreement would not affect Daimler's existing European collaboration links in aerospace.

But the move underlines the

Continued on Page 18

CONTENTS

Chancellor Helmut Kohl's new-found confidence

The West German leader appears increasingly confident following the Christian Democrat victory in East Germany and is likely to show his sunny side when he visits his old rival Mrs Thatcher in London tomorrow

Page 3

MARKETS

STERLING
New York lunchtime: $1.62655
London: $1.6260 (1.614)
DM2.7800 (2.7675)
FFr9.3525 (9.3175)
SFr2.4675 (2.4675)
Y255.75 (252.25)
£ Index 87.3 (86.8)

GOLD
New York: Comex Apr $368.9 (366.2)
London: $370.0 (368.0)

N. SEA OIL (Argus)
Brent 15-day May $18.375 (18.475)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.7110
FFr5.7570
SFr1.5180
Y157.35
London:
DM1.7100 (1.715)
FFr5.7625 (5.7725)
SFr1.5170 (1.529)
Y157.25 (156.35)
$ Index 69.0 (69.0)
Tokyo close:

US Lunchtime Rates
Fed Funds $8\frac{1}{4}$%
3-mo Treasury Bills: yield: 8.16%
Long Bond: $100\frac{7}{32}$
yield: 8.47%

STOCK INDICES
FT-SE 100: 2,266.2 (−32)
FT Ordinary: 1,786.6 (−28.9)
FT-A All-Share: 1,120.83 (−1.2%)
New York lunchtime:
DJ Ind. Av. 2,700.90 (−6.76)
S&P Comp 337.34 (−0.29)
Tokyo: Nikkei 31,825.96 (+14.53)

LONDON MONEY
3-month Interbank: closing $15\frac{5}{32}$ ($15\frac{1}{4}$)
Liffe long gilt future: Jun $80\frac{13}{32}$ ($81\frac{11}{32}$)

EUROPEAN NEWS

FRESH TENSION BETWEEN SERBS AND ETHNIC ALBANIANS

Kosovo anniversary sparks alert

By Laura Silber in Pristina

TANKS and thousands of heavily armed police are marking the first anniversary, falling today, of the constitutional amendments which brought Kosovo, with its predominant ethnic Albanian population, under Serbian control.

The amendments, which gave Yugoslavia's largest republic the final say over the province's judiciary, police, national defence and political patronage policy, sparked riots. Between March 27 and 29 last year, 22 Albanians and two policemen were killed.

A year on, tensions between the Albanians and Serbs are again aflame. Serbs have taken up arms to defend themselves and claim they are being chased out of their homeland. Albanian passions were reignited last week by a mysterious illness affecting only Albanians.

On Saturday Serbia announced that it was taking over Kosovo's police after ethnic Albanians attacked Serbs, sacking 200 ethnic Albanian officers on the grounds of complicity in the attacks and bringing in 100 of its own men. The Yugoslav army, already in Kosovo for over a year, has deployed additional units in the province.

Since the amendments were adopted, Serbia has waged a policy euphemistically named differentiation, in fact a purge of all "nationalist" Albanians throughout Kosovo, from the Government to the university. Yugoslavia's economic problems are also producing redundancies, acutely felt in under-developed Kosovo and seen by Albanians as politically motivated.

Albanians took to the streets again on January 24 this year after the break-up of the Yugoslav Communist Party Congress, demanding democracy and the resignation of the province's Serbian-controlled leadership. The unrest spread rapidly, paralysing Kosovo for the next few weeks. At least 28 ethnic Albanians were killed by police during the riots. There were no confirmed reports of army involvement.

The political climate has changed dramatically over the past year. Mr Ibrahim Rugova, a prominent Albanian intellectual whose arrest seemed imminent nine months ago, is now president of the Democratic League of Kosovo, which claims 350,0000 members. Meanwhile, the local Communist Party rolls have dwindled to about 80,000, mostly Serbs.

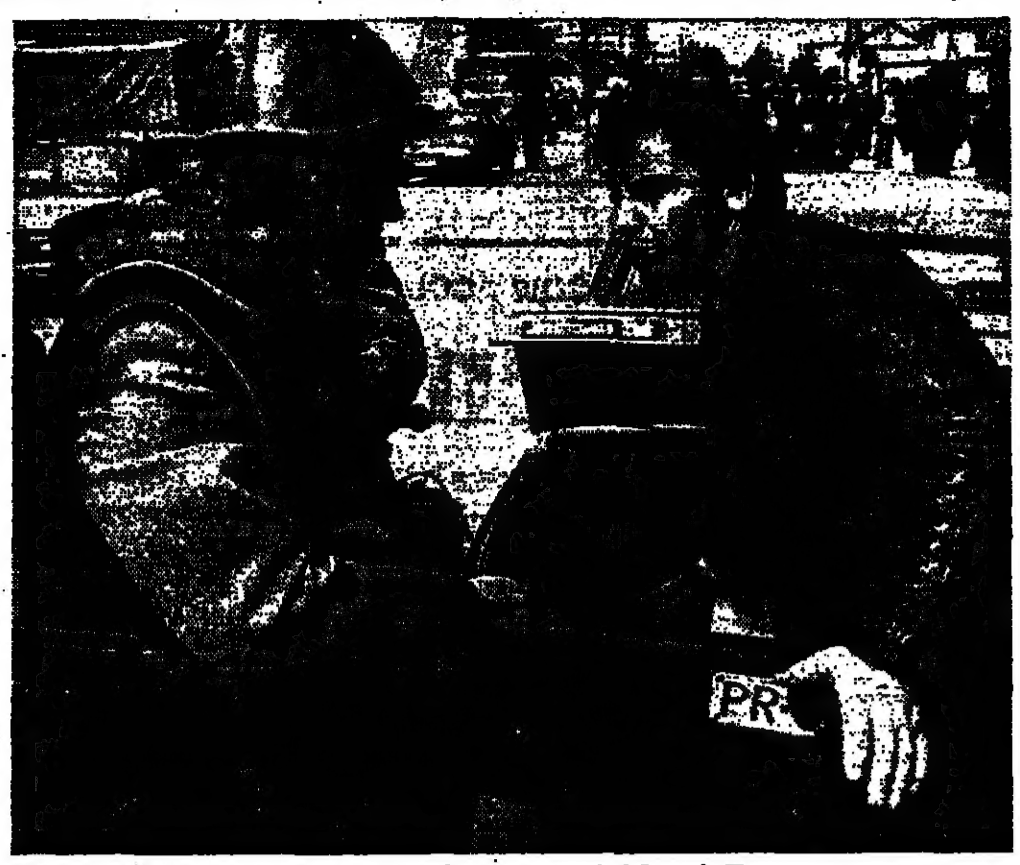
The opposition, like those killed in demonstrations, has acquired heroic status among Albanians. After the unrest in January, when the opposition appealed for calm, tension waned only to peak with the mysterious illness.

A Yugoslav federal commission said it had found no evidence of mass poisoning or infectious disease. A Dutch doctor visiting Kosovo with the International Helsinki Federation for Human Rights, said: "I'm not saying the first few patients weren't poisoned, but the symptoms are now verging on mass hysteria."

The patients have largely been discharged but rumours still abound about the cause of the illness. Mr Jusuf Buxhovi, the vice president of the Democratic League, said, "I would only believe the results of a foreign commission." When the "poison" scare broke, bands of Albanians brutally attacked Serbs in two Kosovo towns.

Kosovo's Serbs prepare for the holiday and worry that there will be trouble. The Albanian opposition issued a joint statement today appealing for Albanians "to commemorate the victims of last year's brutality with silence," at home or work, from noon to 2am.

If the day passes without violence, it will be a testament to its growing control over fellow Albanians. But, even so, the peace and security that Serbian President Slobodan Milosevic promised through the constitutional amendments on March 28 last year seem more remote than ever.



A Yugoslav soldier searches a car as part of action to avert violence in Kosovo

Row over Bonn coal subsidies set to intensify

By David Goodhart in Bonn and Lucy Kellaway in Brussels

WEST GERMANY'S argument with the European Community over coal subsidies is likely to intensify after the publication yesterday of the first draft of an official Bonn report recommending only a slight reduction in subsidies after 1995.

The majority on the government commission concluded that 55m tonnes of coal per year (for power stations and steelworks) should continue to be heavily subsidised. A minority report, which may be a more accurate reflection of government thinking, suggested 35m-40m tonnes.

The commission's overall recommendation will disappoint liberal opinion in both Bonn and Brussels, especially as some leading businessmen in the energy industry had spoken up for reducing protected coal production to only 30m tonnes per year.

Currently about 72m tonnes a year are produced in West German pits at a cost of about DM10bn (£3.6bn) in subsidies a year to electricity consumers and the Government. Most of that is covered by the *Jahrhundertvertrag*, under which German utilities agree to buy domestic coal on the understanding that they can charge customers the difference between domestic and world market prices.

Total production is due to fall to 65m tonnes by 1995, but the EC wants corresponding subsidies to fall even faster. Earlier this month the European Commission told West Germany to cut its surcharge to electricity consumers by DM1bn over two years in the light of Bonn's refusal to drop its legal action in connection with the dispute.

The Commission, which has been accused of taking too soft a line with West Germany, will discuss the whole issue of European coal subsidies next week.

The Bonn commission majority report also recommended that the Government should, carry the subsidy costs directly after 1995. These, it said, should be less than DM5bn per year.

Hungarian party meets to choose electoral ally

By Nicholas Denton in Budapest

THE leadership of the Hungarian Smallholders Party meets today to choose its ally for the second round of parliamentary elections on April 8 after the first round appeared to give it the balance of power.

The final result in 171 local constituencies, which elect nearly half of the total 386 parliamentary seats, remains to be decided in the second round *run-off*.

There have been delays in processing the election results. But so far the returns from the country's first free national polls since November 1945 have given a clear lead to the centre-right Hungarian Democratic Forum, followed closely by the liberal Alliance of Free Democrats.

Although the Smallholders Party performed unexpectedly poorly in last Sunday's vote, it is the only party willingly considered as a coalition partner by either of the two big parties.

Unless the leaders of these two parties put aside their sharp differences, neither the Forum nor the Free Democrats can form a government without the Smallholders.

A deal between the Smallholders and the Free Democrats could remove the advantage which the Forum has gained on the first round.

The Forum is running in first place in many rural seats. An agreement between the other two parties not to compete against each other could therefore make sense.

EAST European economists gathered in Helsinki yesterday for a two-day symposium to discuss economic reform and the treatment of debt in their countries, writes Enrique Tessieri.

The meeting was held under the auspices of the World Institute for Development and Economic Research (Wider), a UN institute based in Helsinki. It was attended by Harvard Professor Jeffrey Sachs, who has been advising eastern European countries on reform.

Airports group hits at capacity constraints

By Paul Abrahams

GROWTH IN European air travel is threatened by capacity constraints, warns the International Civil Airports Association (ICCA).

It expects traffic at Europe's 27 largest airports to grow from 338m passengers in 1989 to more than 697m by the year 2005. To meet this growth, the airports are planning to invest at least Ecu22.9bn (£31bn) in new facilities, but these must first be approved by national and local authorities.

Airports are constrained by government restrictions on investment, even if new capacity is commercially and financially viable, says the Association.

Another constraint is public concern about aircraft noise. The ICCA is urging the European Community, the European Civil Aviation Conference and the International Civil Aviation Organisation to ban noisy Schedule 2 aircraft by a date sufficient to calm public fears. It says a date next century is insufficient.

Cheap labour fear after EC court ruling

By Tim Dickson in Brussels

THE European Court of Justice yesterday upheld the right of a Portuguese construction company to carry out subcontract work on French soil using its own employees, in a ruling with far-reaching implications for migrant labour in the EC.

Brussels officials immediately expressed surprise at the decision, pointing out that it might encourage a new flow of cheap labour from Spain and Portugal into northern states.

The case was brought by Rush Portuguesa against the French National Immigration Office for trying to impose penalties on the use of foreign employees. It hinged on a section of the Rome Treaty guaranteeing freedom to provide services, and the articles of the Accession Treaty for Spain and Portugal which limit application of the free circulation of workers principle until the beginning of 1993.

Yesterday's verdict said that companies providing services in another member state were entitled to bring their own employees with them. They would be discriminated against in relation to competitors in the "host" country if restrictions were placed upon them, it said.

However, the court made clear that the freedom of companies did not extend to employees who might subsequently try to join the local labour market on a permanent basis, and that companies set up specifically with this object would not be covered.

In another important caveat, the judges said member states were entitled "to extend their own legislation, or collective work agreements concluded between the social partners, to every person carrying out paid work on their territory, even where it is temporary, and regardless of where the employer is established".

● The European Commission yesterday announced a new proposal aimed at protecting "outside" workers in the nuclear industry from the effects of radiation. It wants to reinforce protection for employees of nuclear installations who carry out occasional activities there.

Brussels tells Peugeot to drop car ban

By Lucy Kellaway in Brussels

THE European Commission has taken action against Peugeot, the French motor company, for preventing its dealers selling Peugeot cars to a company which shops around for the cheapest deals in Europe.

The action follows widespread concern at the large differences between car prices in Europe, and at the actions which manufacturers and distributors are taking in order to keep their markets segregated.

Last May Peugeot wrote to its agents in Belgium and Luxembourg ordering them to stop selling to Ecosystem, a company which imports cars for private French consumers taking advantage of the wide price gap in different countries.

The Commission has now told Peugeot that it must allow its dealers to supply Ecosystem with up to 1,200 cars a year – the level of Peugeot sales before the ban was enforced – while it carries out a detailed investigation.

The Commission said yesterday it was attaching great importance to the inquiry, which is being seen as a test of its willness to encourage price competition in the car market. Consumer groups have complained that prices are moving further apart.

Peugeot argued that Ecosystem was acting as a reseller and was therefore breaking the company's exclusive agreements with its dealers.

Europe 'likely to fall behind in biotechnology'

By Peter Marsh

THE pharmaceuticals industry in Europe is likely to fall behind competitors in the US and Japan in the important new science of biotechnology because of widespread public hostility to the discipline, Dr Hans-Peter Sigg, vice president of Sandoz, the large Swiss drugs company, said yesterday.

Dr Sigg, making one of the strongest appeals yet by a European drugs industry leader for better public understanding of biotechnology, complained of an "emotional" response by many people in Europe to the principles involved. He said that many lobbyist groups were confused about the concepts behind biotechnology – a set of techniques invented over the past 15 years for manipulating genetic material and creating new chemicals.

Dr Sigg, who made his comments during a Financial Times conference in London on world pharmaceuticals, said that the problem was by no means confined to West Germany. The country has been the scene of several arguments between the medicines and pharmaceuticals industry and environmental pressure groups over the technology. These have put a temporary stop on all new production plants in West Germany which use genetic engineering.

Mr Sigg said hostility to the technology was "heating up" in Switzerland, Austria and Holland, and showing signs of appearing in France.

He said acceptance of genetic engineering – which some pressure groups have linked with possible ecological problems as a result of biologically modified chemicals leaking from laboratories – was much better in the US and Japan.

Dr Sigg said that one factor behind the decision of Sandoz to build a pharmaceutical laboratory in Japan rather than in Europe was the probability that regulations governing the technology would be freer outside Europe. The laboratory, near Tokyo, is due to be started next year.

Several German companies, including BASF and Bayer, have already decided to site much of their genetic engineering research in the US.

FT Conference, Page 9

Kohl squares up for Thatcher dinner tussle

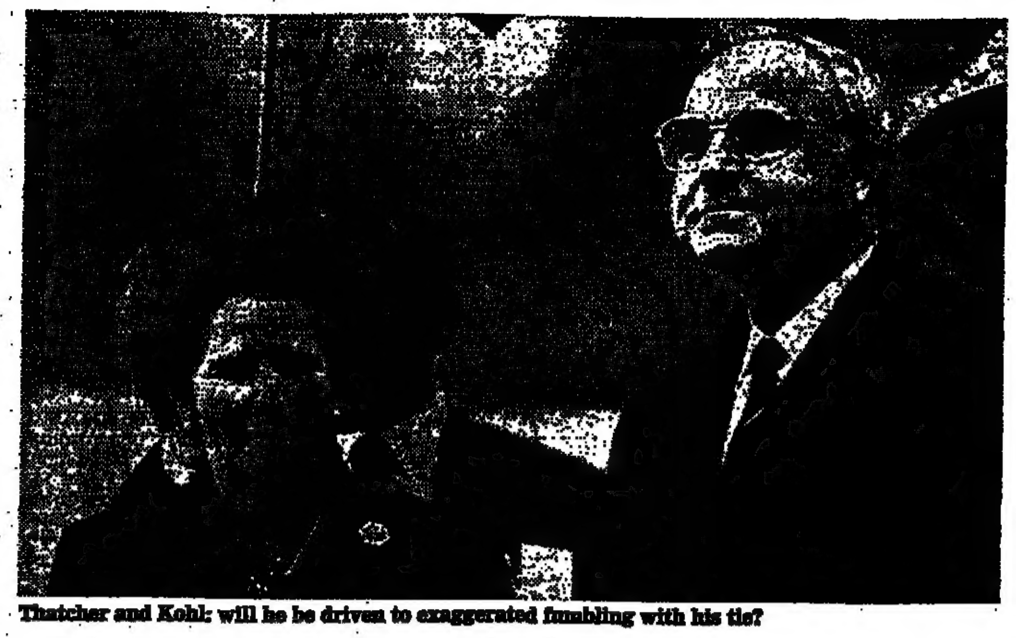
Chancellor is relaxed in spite of his row with Prime Minister, writes David Marsh

WHEN the West German Chancellor visits Britain this week, a kinder, gentler Helmut Kohl is likely to come to the fore – despite his latest row with Mrs Margaret Thatcher over the Polish border.

Mr Kohl, who will be seeing the British Prime Minister in Cambridge and London tomorrow and on Friday, is taking seriously the intense pressures building up on Bonn over German unification. But, in dealings with diplomats and journalists over the past few weeks, the Chancellor – customarily thin-skinned and edgy, for all his bulk – has appeared a great deal more relaxed.

One reason the Chancellor is more at ease is because, a western ambassador here suggests, "he is on a high in history". Mr Kohl, in power since October 1982, is now confident that next spring he will surpass former Chancellor Helmut Schmidt's spell in office.

The Chancellor has been buoyed by the East German elections 10 days ago, which gave a clear win to his sister East German Christian Democrat party. Der Spiegel, the West German news magazine, which habitually treats Mr Kohl as a larger-than-life dolt, pleased the Chancellery by proclaiming on its front cover last week: "Kohl's Triumph."



Thatcher and Kohl: will he be driven to exaggerated fumbling with his tie?

An aide notes: "There were two miracles. One was the election result, and the other was Der Spiegel."

It remains to be seen whether the Chancellor's newfound serenity will be disturbed by Mrs Thatcher's alleged misquotation of him in this week's issue of Der Spiegel.

When the two leaders meet at a festive dinner on Thursday night at St Catharine's College, Cambridge, Kohl-watchers will be looking for signs of nervousness. In the Chancellor's case, this is usually manifested by exaggerated fumblings with his tie.

Bonn official express "astonishment" that Mrs Thatcher, in an interview with the magazine, gave an incorrect impression of a private fireside talk with Mr Kohl over Poland at Strasbourg in December. Mrs Thatcher claimed that Mr Kohl said: "No, I do not recognise the current border." One well-placed Kohl aide says that he is sure that Mrs Thatcher understood only half of an answer Mr Kohl gave her about the legal position of the Polish frontier.

This is not the first time that Kohl-Thatcher communication failures have enraged Bonn. At the Rhodes EC summit at the end of 1988, Mr Bernard Ingham, Mrs Thatcher's press secretary, quoted Mr Kohl as telling her that Bonn would decide modernisation of short-range nuclear missiles before the summer. One Chancellery official, normally restrained, bluntly described Mr Ingham's remark as "lies".

West German officials say the British Prime Minister had previously been trying to improve relations with the Chancellor. In the last few weeks, he had been "pleased" by two benevolent Thatcher telegrams – one on the Bundestag's resolution on the Polish border earlier this month, the other after the Christian Democrats' East Berlin victory.

Mindful of the British leader's political and economic problems, one Kohl adviser explains Mrs Thatcher's reaction in terms of an animal run to ground. "She is hunted – she is wounded – and she fights." He adds: "One has to understand it emotionally."

Mr Kohl in his speech tomorrow night is again likely to irritate Mrs Thatcher by urging steps towards European unity to accompany a united Germany. As the two leaders *square up to a dinner tussle*, Mr Kohl is trying to keep a lid on his emotions – while Mrs Thatcher is letting hers spill out.

E German jobless may reach 2m

By David Marsh in Bonn

BONN GOVERNMENT officials say unemployment in East Germany may approach 2m after economic and currency union between the two Germanys, although they hope that many people will quickly find new jobs after industrial retraining.

Bonn acknowledges studies showing that hidden unemployment in East Germany could already be around 2m.

The Government believes most of these people will therefore come on to the labour market once East Germany moves to a market-oriented economy.

Calling the economic problems faced by East Germany "gigantic," one senior official says the main lay-offs will occur in the first six months after currency union, likely to be in place by the summer.

The Chancellery knows that the opposition Social Democrats will be making considerable political capital out of the redundancies.

"The crucial question is how long unemployment will last," the official says, adding that new jobs will be created fairly quickly in the services area and in joint ventures with western companies.

Soviet call for 'market' solution

By Mark Nicholson in Moscow

THE SHARP deterioration in the Soviet economy demanded substantial adjustment of the Government's economic recovery programme and a swift move to a market system, Mr Leonid Abalkin, the Deputy Prime Minister, said yesterday.

A leading architect of planned economic reforms, he said the country's economic straits required that price liberalisation and new tax and lending policies be introduced simultaneously and no later than the start of next year.

He also made clear that these moves would precede the transition to rouble convertibility, which, he said, would be managed "step-by-step."

"For the market to become a reality it is essential to change the price formation mechanism radically, introduce a single profit taxation system, change the lending policy and take anti-inflationary measures," Mr Abalkin told the Pravitelstvennyu Vestnik newspaper.

The proposed tax changes would replace the complex and uneven tax structure faced by enterprises and co-operatives with a uniform system.

He quoted figures released earlier this week that an average 200,000 working days had been lost daily in the first two months of this year, and said there had been an "absolute slump" in production between December and February.

Mr Abalkin added that, over the same period, coal production had fallen by 6 per cent, oil by 4 per cent, and lorries and buses by 3 per cent and 11 per cent respectively.

He said that the sweeping new powers of decree available to Mr Mikhail Gorbachev, the Soviet leader, would be indispensable in accelerating economic reform, as would people's readiness to make sacrifices.

"The Government will do everything possible to abate the painfulness of the process and to protect the most vulnerable sections of the population as much as possible," he said.

Big need for western drugs seen

By Peter Marsh

THE MARKET for medical equipment and pharmaceuticals in the Soviet Union is likely to double over the next five years as the country takes action to correct its huge health care problems, according to a study released yesterday by Coopers & Lybrand Deloitte, the accountants.

Dr John Pendlebury, a partner in the accountancy firm, said the health care system was in a "state of emergency" and that western drugs and equipment companies were poised to benefit from efforts to correct the deficiencies.

Companies already setting up or exploring joint ventures or special trading arrangements in the Soviet Union included Johnson and Johnson, Eli Lilley, Glaxo, Siemens and Philips, Dr Pendlebury told an FT conference in London yesterday.

The current value of drugs and medical equipment sold in the Soviet Union was now about Rbs8bn a year, said Dr Pendlebury. This was likely to rise to Rbs16bn by 1995.

Much of the rise would come from joint ventures involving foreign companies, while imports were likely to increase from about Rbs2bn in 1990 to Rbs3bn in 1995.

According to the study, only about 50 per cent of demand by Soviet hospitals for drugs last year was met via domestic production or imports. This figure is likely to decline to 30 per cent in 1990, as a result of serious production shortfalls as chemicals factories with a poor record on environmental pollution are closed down.

The Soviet Union had an "appalling" incidence of cancer, much of it due to the environmental influences of toxic materials, Dr Pendlebury said.

Life expectancy had declined since 1960 from an average age of about 71 to about 69 today. Of a population of 280m, 70m smoke and 80m are overweight, according to the study.

The average Soviet hospital spent only 15 per cent of its budget on equipment, compared to between 40 and 80 per cent for hospitals in the West.

Poles expected to resist banks' proposal on debt

By Christopher Bobinski in Warsaw

POLAND IS likely to resist a proposal by western banks that it pay 15 per cent of the interest due to them this year. Mr Janusz Sawicki, the Deputy Finance Minister, said yesterday his country was taking its agreement last month with the Paris Club of creditor nations as a benchmark for the Vienna meeting, which starts today.

Poland owes about two-thirds of its $40bn debt to the Paris Club, which last month agreed to postpone all interest and capital payments until March 1991. The Paris Club appealed to the banks to follow suit, strengthening Warsaw's case for a deferment of all payments due to them this year.

Poland cut servicing of its $9.1bn western bank medium-term debt in the last quarter of 1989 back to 15 per cent of the amount falling due, leaving arrears worth $145m. Another $880m worth of interest payments fall due this year and so far have gone unpaid. At present Poland is only servicing $1bn worth of short-term trade credits and new bank loans.

An IMF team is in Warsaw at the moment reviewing the progress on Poland's austerity programme. Monthly inflation has slowed and is probably back to single figures this month, against a background of a 25 per drop in industrial sales and a hard currency trade surplus running at over $400m in the first quarter.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.
Financial Times (Scandinavia), Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Smugglers tumble with the trade barriers

Liberalisation everywhere is taking the black out of the market, writes John Barham

TRADE *liberalisation* is slowly killing off smuggling of everything except weapons and drugs in many parts of the world – including South America, where contraband used to be one of the region's *few* growth industries.

Often, smugglers are polished, multilingual businessmen. One *contrabandista* operates out of luxurious offices in a leafy suburb of São Paulo, Brazil's business capital. His headquarters are guarded by surveillance cameras, electronic locks and steel doors. Once inside, the service is courteous and friendly. Delivery is quick and reliable. But the *contrabandista* politely but firmly refuses to discuss his business.

Billions of dollars in unrecorded, untaxed trade still flow across the region's long and permeable frontiers every year, despite efforts by many governments to reduce smuggling by attacking its causes – high taxes, unrealistic exchange rates and virtually insurmountable trade barriers.

Chile and Bolivia were the first to adopt free trade, followed last year by Paraguay *and now by Brazil. Brazilian* President Fernando Collor de Mello has abolished many import barriers and allowed the currency to float. The country once had the world's most protected economy and was the focus of the Latin America's contraband trade.

Mr Antonio Carlos Portinari, director of Brazil's customs service, said the reforms would probably not stop smuggling. "Import tariffs are still very high and I believe that smuggling will continue to be a serious problem."

He said duties were as high as 80 per cent on some products. Furthermore, freer trade may yet be blocked by Congress, which must still approve President Collor's emergency economic reforms.

Most smuggled goods are innocuous: consumer goods, machine tools, even scientific equipment. But smugglers also deal in drugs, stolen goods and endangered species.

Brazil's clandestine trade last year was at least $5bn, equivalent to 10 per cent of recorded trade. Companies also under-reported exports or over-reported imports to the tune of $11bn. Alvaro Zinni, a São Paulo University economics professor, found that companies paid for contraband imports out of illegal dollar balances amassed in offshore bank accounts by doctoring *trade documents and fiddling* exchange transactions.

Much of this trade will wither away now that the Brazilian cruzeiro's value is established by market forces. Last year, the central bank, which used to establish the exchange rate by decree, allowed the currency to become massively over-valued. That made legal exports uncompetitive and encouraged exchange fraud and smuggling.

Smuggling on an industrial scale demonstrated the failure of import substitution as a development strategy. By some estimates 40 per cent of Brazil's personal computers were smuggled in because the law still "reserves" the local market for uncompetitive Brazilian makes.

Smugglers are said to have brought in mainframe computers, TV studio equipment, aircraft engines, and computer chips

In the past, smugglers are said to have brought in anything from mainframe computers (for use by the intelligence services), to TV studio equip*ment, aircraft engines* and untold quantities of computer chips and spare parts.

The *contrabandistas'* quick, efficient and reasonably honest service contrasts dramatically with plodding and corrupt bureaucracies. A senior Bolivian official said: "In a way, the *contrabandistas* are real capitalists and contraband is a truly free market."

Smuggling is easy. Brazil's customs service has only 2,000 officers (European countries tend to have at least three times that number). Rio de Janeiro International airport has eight unguarded entrances. There are no inspectors on permanent duty at seaports. Like most Latin American trade officials, they are badly paid and easily corrupted.

Paraguay and Bolivia have grown into offshore banking centres, free trade zones and duty free shopping centres to service the Brazilian and Argentine underground economies. They would be expected to be the first to suffer with a decline in smuggling. But deregulation has the virtue of ridding trade of much of its criminal element and beefing up Treasury revenues.

Paraguay, for generations the continent's contraband clearing house, liberalised its trade and exchange regulations in 1989 after the fall of Dictator Alfredo Stroessner. Recorded exports *immediately* doubled to $1.05bn, indicating that smugglers shipped $500m-worth of goods in 1988 – without paying a penny in taxes.

Much of the illicit trade in commodities is likely to vanish as exchange rates are brought in line with market realities. Smugglers shipped at least $300m-worth of commodities, plus $2bn in gemstones out of Brazil last year, simply because the street value of the Brazilian currency slipped to almost a third of the official rate.

Farmers smuggled crops and prospectors smuggled minerals – in particular tin – to evade local taxes and to cash in on the big gaps between official and black market exchange rates.

It is still difficult to operate a company efficiently in many South American countries without occasionally resorting to smuggling, thus making criminals of honest citizens. Smuggling exposes companies to protection rackets and blackmail from their employees. That probably explains why smuggling of machine tools and computers is not more widespread in a country as industrialised as Brazil.

Although the vogue for liberalisation and deregulation is catching on in South America, it probably will not spell the end of smuggling. Governments are unlikely to resist the temptation to meddle in markets. And Latin America's fascination with red tape most certainly will not vanish overnight.

US to let Japan build Sparrow missiles

JAPAN and the US exchanged notes yesterday allowing Japan to make an improved version of the US Sparrow missile system under licence, Defence Agency officials said, AP reports from Tokyo.

Japan's Air Self-Defence Force will use the improved AIM-7M missile system to arm its F-15 jet fighters and other aircraft types, a Defence Agency official said.

The new, more reliable missile will replace the AIM-7F missile system currently in Japan, he added. The official refused to provide other details, including the number of missiles to be made in Japan.

Mr Taro Nakayama, Japan's Foreign Minister, and US Ambassador Mr Michael Armacost exchanged the notes on acquisition and production of the AIM-7M Sparrow missile system, developed by Raytheon, of Lexington, Massachusetts.

The system will be produced in Japan by a group of companies, with Mitsubishi Electric *as main contractor.*

Japan's Air Self-Defence Force now maintains 112 US-designed F-15 fighters, most of them built in Japan under licence.

Canada car parts 'face threat from US and Mexico'

By Bernard Simon in Toronto

CANADA's car parts makers face a severe threat from low-cost plants in the south-east US and Mexico, according to an extensive study on the future of the C$14bn (£6.6bn) a year industry.

The study, conducted by management consultants Booz Allen & Hamilton and Pilorusso Research Associates for the Automotive Parts Manufacturers Association of Canada, says over half the car parts makers surveyed with factories in Ontario favour other areas for their next investment, with 88 per cent most interested in the US.

Following moves to create a North American free trade area, to include Mexico, Canada and the US, such conclusions have far-reaching implications for many other sectors of Canadian industry, which share the disadvantages of the parts suppliers.

The study, which analysed 77 plants in the US and Canada, says the Canadian industry has put off much of the restructuring necessary to ensure competitiveness over the next 10 years. "To the extent that certain Canadian auto parts manufacturers are focused on lower-technology parts and components, they are susceptible to increasing competition from developing countries, especially Mexico," the report says.

Little of the recently-developed high-technology parts, such as electronic controls, fuel injection systems and anti-lock brakes, are being sourced from plants in Canada.

The study catalogues complaints from Canadian suppliers, including high labour turnover, costs of meeting pension and workers' compensation rules, and availability of support services. Canadian production equipment is an average three years older than plant in the US.

While the industry's labour costs in Ontario average C$17.36 an hour, the equivalent rate in new US plants is C$13.95, and in Mexico only C$1.60. But Canadian plants spend almost three times as much as US facilities on training. US and Canadian suppliers had delivered-cost disadvantages of 5-24 per cent on certain parts compared with Mexico and other developing countries, the study adds.

Balfour Beatty may join Turkey motorway project

By Jim Bodgener in Ankara

MOTORWAY construction work in south-west Turkey valued at $400m (£235m) will probably be awarded to a venture of the Turkish contractor Entes with Balfour Beatty of the UK in April, pending negotiations, Turkish government officials say.

The contract would be exclusively financed by Turkey rather than by export credits, they added. But the UK company says it is not involved at this stage.

The contract would be for the 125 kms between Aydin and Denizli of a motorway running inland from Izmir to Turkey's Aegean hinterland.

The venture was first selected over four years ago when Turkey began talks for seven major motorway sections. But the Trans-Anatolian route from Bulgaria to Ankara took priority, although the venture was awarded a section of the latter worth $70m between Gumusova and Gerede, on which it is currently working.

This time, the contractor would receive 55 per cent payment on completion in local currency, with the rest in five annual instalments.

● *AP-DJ* reports from Tokyo: Toyota, Japan's biggest carmaker, has filed an application with Turkey to start car production there, together with two other companies – Haci Omer Sabanci Holding, and Mitsui, the Japanese trading house.

The three plan a new company to make 1,600-cc cars in Turkey. To be tentatively capitalised at $150m, it would be owned 40 per cent by Toyota, 50 per cent by Sabanci, and 10 per cent by Mitsui. The plan calls for *output* of 20,000 cars a year, starting early in 1993, rising to 100,000 a year, including cars and commercial vehicles. The three plan to invest $250m.

Japanese ruled out of Taipei bids

TAIWAN will allow European and US companies to bid for the supply of trains for the new Taipei underground system but Japanese companies are to be excluded, Peter Wickenden reports from Taipei.

Taiwan's trade deficit with Japan increased by 14 per cent to $6.96bn (£4.1bn) last year, and officials fear it could rise to $8bn this year and $10bn by 1992. Mr Frederick Chien, chief economic planner, said the Government had therefore tentatively decided to exclude Japan from the bidding for a second batch of electric trains worth around $190m.

In 1988, the cabinet decided to limit the bidding for 44 trains to US companies after US pressure on Taiwan to reduce its bilateral trade surplus.

S Korea bans TV sets from Japan

South Korea has added large colour TV sets, water pumps and 16 other items to goods not allowed to be imported from Japan, trade ministry officials said, Our World Trade Staff writes. Seoul dropped carbon blacks, an *ingredient* for ink, and 21 other items from the list which now has 258 items.

Seoul urged to end restrictive practices

Mr Frans Andriessen, EC External Affairs Commissioner, yesterday urged South Korea to end restrictive trade practices and improve protection of intellectual property rights, John Ridding reports from Seoul.

At the inauguration of the EC delegation in Seoul, Mr Andriessen said that, while he appreciated "the courageous measures taken to correct Korea's trade imbalances", import duties remained on average three times higher than the Community's and non-tariff barriers still impeded market access.

Hope for toy group

The Japanese Government is taking the first steps to allow Toys 'R' Us, the US toy distributor, to open a store in Japan, APDJ reports from Tokyo.

Turkey to stick with Airbuses

By Jim Bodgener in Ankara

THE Turkish government has decided to stick with Airbus Industrie in the next fleet purchases planned for the *state*-flag carrier Turk Hava Yollari (THY – Turkish Airlines), with an order announced today for five A-340-300s valued at upwards of $500m (£294m).

The first three aircraft will be delivered to THY in the first *half of 1998, and the fourth and* fifth in 1996 and 1997 respectively.

Apart from these firm orders, options have been taken out for another five aircraft for delivery in 1988 and 1999.

This means that Airbus has once again beaten off fierce competition to secure the major component of THY's fleet standardisation plans. Its main competitors were McDonnell Douglas with its MD-11, *and Boeing with the 747-400.*

Starting in the early 1980s, THY has ordered a total of 14 Airbus 310s, of which the last will be delivered next year.

However, in doing so it has also incurred a debt of around $1bn, instrumental in persuading the airline in the last two purchases to opt for lease rather than straight credit financing.

Financing terms for the A-340s are likely to be decided nearer delivery, according to senior THY officials.

Although the airline paid out around $212m in external debt servicing for aircraft and spares last year, of which $149m was for Airbus repayments, 1989 was the peak for its current foreign debt servicing schedule.

Overall, for its long-term purchasing plans, THY expects to spend around $2bn-$2.5bn on a total of 32 aircraft.

The deal, announced yesterday by Mr Tuncer Altinkaya, *Transportation Minister,* also includes an offset investment programme by Airbus.

The aircraft will be used by THY in its next stage of route expansion overseas in a strategy now aimed at hard currency *earnings* from external routes, rather than internal services.

Already targeted for the new aircraft are routes to New York and Tokyo, while others are being considered in the Far East and the Americas.

Arms spending cuts put the market into forces

Manufacturers are facing more competition – not all of it open, write **David White** and **Lionel Barber**

FOR THE fourth time since the Second World War, the US is scaling down its spending on arms – gradually so far, but ineluctably. Armament industries in allied countries are looking on with apprehension.

Intended US reductions are not only a preview of things expected to come in Europe. They will also have a direct impact on four aspects of their business:

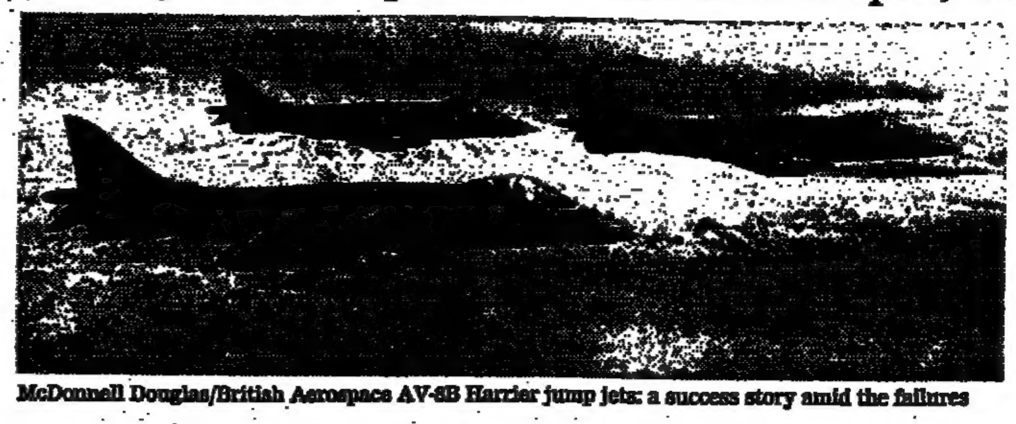
- Their access to the US market.
- Transatlantic collaboration.
- Competition from US companies in Europe.
- Competition for the remaining growth markets in Asia.

In the latter two areas the implication is clear: a more aggressive approach by US companies, for whom exports are no longer just icing on the cake. But the consequences for foreign contractors' direct dealings with the US are murkier.

On an official level, the US is seeking freer arms trade between allies and increased collaboration, both to share the development cost of new weapons and to provide a more standardised western armoury. But the omens are not all good.

Collaboration has produced a catalogue of recent mishaps. Britain dropped out of a joint sea mine programme with the US. The US and the UK together scuttled an international project for conventionally-armed "stand off" missiles launched from aircraft. Britain pulled the plug on an eight-nation North Atlantic Treaty Organisation frigate, followed eventually by the rest of the European partners.

Plans for short-range and medium-range air-to-air missiles have run into trouble, especially the British-led short-range project, which risks being too late to meet the US requirement. British officials admit that Britain now has a "less than perfect name" in Washington as a co-operative ally.



McDonnell Douglas/British Aerospace AV-8B Harrier jump jets: a success story amid the failures

Mr William Taft, the US ambassador to Nato, formerly deputy Defence Secretary, warned earlier this month: "International co-operative arms programmes have been falling at an alarming rate – and it seems that transatlantic programmes are especially vulnerable. There is a real danger of the two sides of the Atlantic relationship closing each other off."

Successful programmes such as the McDonnell Douglas/British Aerospace AV-8B Harrier jump jet are already "mature". A 1985 contract for Thomson-CSF of France and its US partner GTE for battlefield communications worth \$4.3bn, the biggest US army order ever opened to foreign competition, is virtually at an end.

There are still joint projects moving ahead, including a guided warhead for multiple-launch rockets and, rather more slowly than foreseen, the US Navy's T-45 version of BAe's Hawk jet trainer. But hopes that the US might find a requirement for the Anglo-German-Italian Tornado aircraft – for anti-radar missions – have faded.

Other possibilities – a supersonic successor to the Harrier, a new main armament for tanks – are still far off.

Problem issues are the volume of reciprocal purchases attached to US export contracts – in the case of the UK's Boeing/Westinghouse Awacs early-warning aircraft, promised offsets were 130 per cent of the contract value – and the level of technology transfer the US allows.

Congressional resistance to sharing technology produced long and bitter wrangling over Japan's FSX fighter project, based on the F-16. Final agreement between General Dynamics and Mitsubishi was signed only last month, two years after the joint project was announced. Further problems are expected as Japan builds up its defence and aerospace industries.

European companies fear a groundswell of protectionism in the US as defence jobs in many states come under threat, and senior US defence officials warn that pressures may increase. Allied governments are counting on Pentagon support to resist attempts to introduce "buy American" clauses in US legislation.

The Pentagon, however, says protectionism is "a two-way worry". Eyebrows were raised by the way Britain ensured that a Ferranti-designed radar should be adopted for the European Fighter Aircraft project rather than a version of a US Hughes radar.

Foreign companies are by no means all gloomy about their prospects in the US. But they have rarely sold whole weapon systems. Most sales are through subcontracts. Smiths Industries, for instance, the British avionics company, does about half its business in the US. "Prime" contracts for weapon platforms are another thing. And strategic weapons are definitely out of bounds.

There is also a limit on what defence companies can sell in the US without a US production base. GEC-Marconi of the UK, which annually exports several hundred million dollars worth directly to the US, has in the last three years become an important US manufacturing group with 5,000 employees, including the US subsidiaries of its former UK rival Plessey.

Matra of France bought a foothold through the former space and defence electronics division of Fairchild Industries last year and has been among companies eyeing Ford Aerospace. But enthusiasm about defence acquisitions in the US has been jaundiced by Ferranti's experience with International Signal and Control, which brought the UK company to its knees. US security rules make it hard for foreign owners to keep a close watch on their offshoots' business.

Attitudes also vary according to country of ownership, with Canada and the UK relatively favoured, compared with West Germany, for instance.

But any foreign company, according to one seasoned executive, is working against the odds: "If you have the best product at the lowest price and it is not in a super-sensitive area, then you stand a good chance."

This is the last article in a three-part series that began on Monday.

Collor forced to drop emergency police powers

By John Barham in São Paulo

PRESIDENT Fernando Collor de Mello of Brazil has bowed to intense political pressure by withdrawing the two most controversial items of his emergency anti-inflation policy, which granted the police sweeping powers to enforce economic controls.

To public glee, police arrested bank managers, owners of a supermarket chain and briefly detained directors of the country's leading newspaper, Folha de S. Paulo. The newspaper unleashed a vitriolic campaign against the government, comparing Mr Collor with Benito Mussolini.

However, Mr Aristides Junqueira Alvarenga, head of the public prosecutor's department and chief constitutional watchdog, showed the measures to be unconstitutional. They allowed suspects to be remanded in custody, although the laws they are accused of infringing have yet to be passed by Congress.

The measures, designed to crack down on tax evasion, abuse of economic power and formation of cartels are to be submitted to Congress again as conventional bills. The previous government of Mr José Sarney attempted several times to introduce similar legislation, but failed to obtain a majority.

Mr Collor's decision to withdraw the two measures yesterday was praised by observers, worried about the package's authoritarian shading. Mr Etevaldo Dias, a columnist, wrote: "This episode holds some good democratic lessons. Collor saw that the measure gave excessive powers to the police and that this is dangerous."

Mr Collor said the withdrawal did not represent a political defeat. He has repeatedly stated that his anti-inflation policies should not be altered. Congress has until to mid-April to approve, rewrite or reject the entire body of his economic reforms. Until then, they do not have full force of law.

Many of the 3,000 amendments are aimed at relaxing the central bank's grip over savings. Legislators are also expected to fight hard to curb the President's proposal for privatisation en masse of federally-owned companies.

Higher taxes to fund Chile social projects

By Leslie Crawford in Santiago

CHILE'S new civilian government and the main right-wing opposition party have agreed a package of tax reforms that will allow President Patricio Aylwin to fulfil his election pledge to spend more on social projects.

Under the deal, corporate income tax will be raised from 10 per cent to 15 per cent from 1991 to 1994, after which it will return to 10 per cent. Value added tax will also be raised by 2 percentage points from 18 per cent and personal income tax rates will be increased for those in the higher income brackets.

The tax increases are expected to generate an additional \$550m a year and will be earmarked for a special "social fund". Mr Alejandro Foxley, the Finance Minister, said it would be used for improving pensions, family benefits, school meals, health, youth employment schemes, subsidised mortgages and combating pollution in Santiago.

The reforms are central to the new Government's aims to address social needs ignored by the previous military regime while avoiding the errors of new democratic governments in Argentina and Peru. These rushed to improve wages and social services only to find fiscal deficits and inflation forcing them into steep recessions.

President Aylwin's coalition of Christian Democrats and Socialists began negotiating the tax package with opposition parties, business groups and trade unions before it took office on March 11. As well as underscoring President Aylwin's wish to rule by consensus, the backing of Renovacion Nacional (RN), the main conservative party, will ensure a smooth passage through Congress when the reforms are presented for approval next week.

Surinam rebel leader arrested

Mr Ronnie Brunswijk, the leader of an anti-government rebel movement in Surinam, has been arrested by the police in Paramaribo, the capital of the Dutch-speaking republic in north eastern South America, Canute James reports from Kingston.

Mr Brunswijk, who was in Paramaribo for a new round of talks on ending a three and a half year insurgency of Bush Negroes, descendents of runaway slaves in the east of the country, has been detained on charges with drug trafficking.

The rebels and their leaders have not been persuaded to lay down their arms despite the decision of the military government to hand over to an elected civilian administration.

Two policemen and two of Mr Brunswijk's rebels were killed in a savage gun battle at the time of his arrest.

Cuba jams US TV station

Television Marti, a US-funded news and entertainment station based in Florida, beamed signals to Cuba for the first time yesterday and the Cuban government said it jammed the broadcast after just 10 minutes, Reuter reports from Havana.

An official Cuban statement said Washington might be using the broadcasts to seek an excuse to launch a military invasion.

TV Marti showed three hours of Spanish-language programming that included music video clips, a situation comedy, baseball highlights and a travelogue about New Mexico, a Voice of America (VOA) official in Washington said.

The battle of the airwaves is one of the last fronts of the Cold War and represents the latest clash in the hostile relationship between the US and Cuba that began shortly after Fidel Castro led a left-wing revolution that took Cuba in 1959.

Unions in Mexico pose fresh challenge

By Richard Johns in Mexico City

NO LESS than 121 Mexican organisations have joined together to form a new trade union federation aimed at fighting for workers' constitutional rights, including the right to bargain collectively and strike. The move is a challenge to the Mexican Government's attempts to control labour dissidents

Revolt against domination by the ruling Institutional Revolutionary Party through the Confederation of Mexican Workers (CTM) and its ageing and faithful leader Mr Fidel Velasquez crystallised at the weekend with the formation of the United Union Front in Defence of the Workers and the Constitution.

A trigger-point in what could be a serious confrontation has been the six-week strike by 5,200 workers at the Cerveceria Modelo brewery in Mexico City. The strike has been declared "illegal" by the Federal Council for Conciliation, a body regarded as subservient to the Government.

Leading the front is the Confederation of Revolutionary Workers (COR) whose secretary-general, Mr Jose de Jesus Perez, said he had sent a message to President Carlos Salinas de Gortari stressing the need for dialogue and national unity, "but not to the detriment of the the well-being of the majority".

The Government, desperate to reassure foreign investors but increasingly needled by criticism of the country's lack of respect for democratic procedures, is bound to be embarrassed by the setting up of an organisation opposed to the CTM and its manipulation of "strategic" unions.

The COR tried to take over union representation at Ford's plant at Cuautitlan where there was a five-week work stoppage earlier this year after CTM thugs entered the plant and beat up protesters, killing one and severely wounding several others.

The left-wing opposition led by Mr Cuauhtemoc Cardenas's Party of the Democratic Revolution is not alone in supporting union freedom. The Jesuit order of the Roman Catholic church has emerged as a strong critic of the Government's violation of union rights.

S Korean growth rate hit by sharp drop in exports

By John Ridding in Seoul

SOUTH KOREA'S economy grew less than 7 per cent last year, the smallest increase since 1981, the Bank of Korea reported yesterday.

According to the central bank, the slowdown reflected a sharp decline in exports, resulting from the appreciation of the Korean currency and the impact of severe labour unrest.

Preliminary figures released by the bank showed that gross national product increased by 6.7 per cent, to Won119,540bn (£107bn), compared with a rise of 12.4 per cent in 1988. Gross domestic product grew by 6.1 per cent to Won120,430bn and per capita GNP increased from $4,127 to $4,970.

Although impressive by international standards, last year's performance follows three years of double digit growth. The slowdown prompted criticism of the Government's economic policies and earlier this month a new economics team was installed through a cabinet reshuffle. The new ministers are expected to announce an expansionary economic package this week.

The bank said the last year's slowdown resulted from the strength of the South Korean currency – which rose 30 per cent against the dollar between 1986 and 1989 – and protracted industrial disputes which disrupted production and prompted wage increases of more than 20 per cent.

These factors resulted in a loss of international competitiveness and caused exports to fall, on a customs clearance basis, for the first time since 1974. According to the BOK, exports fell by 4 per cent to Won46,280bn.

The domestic sector, however, showed relatively strong growth. Domestic consumption rose by 9.8 per cent and industrial investment increased by 12.3 per cent.

This year, analysts are forecasting that GNP will rise by about 7 per cent, with the recent decline in the won boosting exports.

Motor industry misfires along the road to success

South Korea's car makers have failed to live up to their early promise, writes John Ridding

SOUTH Korea's once glittering prospects as a vehicle exporter have dimmed because of a fall in its competitiveness and the slowing of demand in its principal markets.

Just three years ago, the established international car manufacturers were given an unpleasant surprise by the arrival of Korean producers.

Hyundai made the most successful ever introduction in the North American markets, selling 168,000 Excels in the US in 1986 and capturing almost 10 per cent of the Canadian market in its first year of shipments.

Further, Hyundai's success appeared to represent the spearhead of new invasions by Daewoo, Kia and the other Korean manufacturers. But since then, this progress has been thrown into reverse. Korean car exports fell by 38 per cent in 1989 to 356,000 units, with most of the damage sustained in the US.

This year has been equally difficult, with production falling by 13 per cent in January, year on year, and exports of cars declining by 18 per cent. Fortunately for Hyundai and other manufacturers this decline has been offset by a booming domestic market. Local sales overtook exports last year, growing by almost 50 per cent to 763,000 units. But while the domestic market remains buoyant, analysts argue that it doesn't provide a long term remedy.

The decline in exports reflects the coincidence of several constraints. Higher wage costs and an appreciating currency have forced up export prices at a time when efficiency gains by Japanese producers and a weakening yen increased the competitiveness of Korea's main rivals. With the price differential reducing, purchasers have tended to opt for the higher quality Japanese cars. At the same time, the US market has been undergoing a downturn.

"Everyone has been suffering," says Mr Lee Soo Il, managing director of Hyundai Motors' planning office. "Even Honda started offering rebates last year." The downturn is expected to continue, with US sales forecast to fall about 5 per cent for the year, and with competition expected to be fiercest at the lower end of the market. Some of the constraints facing Korean manufacturers are expected to ease.

Labour disputes are unlikely to be as severe in the current wage round and wage rises are expected to be much lower than the average 20 per cent awarded in each of the last three years. As a result, exports are expected to hold their ground this year, and possibly show a slight improvement. But the problems experienced by Korean manufacturers also point to more fundamental weaknesses. In particular, they are overdependent on the US market, which along with Canada, accounts for almost 90 per cent of exports. Attempts to diversify are under way, but progress is only gradual. Most Korean manufacturers are also constrained by a lack of technology and a weakness in the domestic components industry.

Korean producers have typically overcome their lack of technology by turning to overseas sources. Hyundai has received technology from Mitsubishi, which has a 15 per cent stake in the company, Daewoo Motors is 50 per cent owned by General Motors, and Kia Motors, which receives technology from Mazda, is marketed in the US by Ford.

But such linkages also create additional problems. "Daewoo has been limited by its relationship with GM," says an analyst at one of Korea's main securities companies. "GM is reluctant to introduce Daewoo cars where it already has a presence and has not moved as fast as Daewoo would like in introducing new models." In addition, analysts argue that such links have fostered dependency and slowed the development of the base technologies necessary for design and components manufacture.

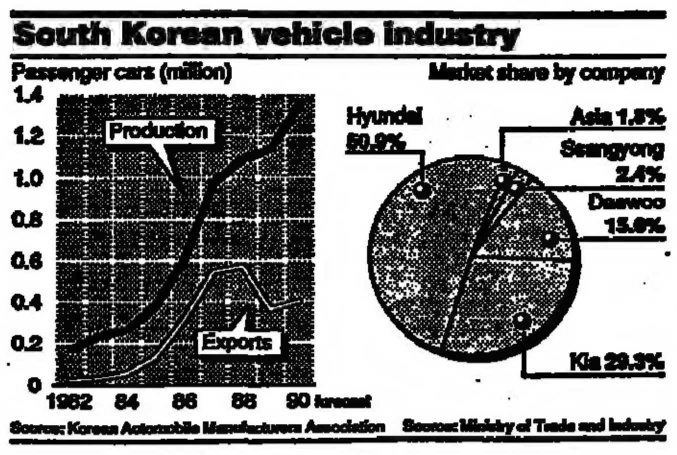
There are also signs that acquiring foreign technology is becoming more difficult. Volvo has apparently pulled out of a production agreement with Ssangyong, a Korean manufacturer which specialises in jeeps, and Samsung, Korea's largest conglomerate which is seeking to enter the motor industry, is reported to be having difficulties finding a foreign partner. Faced with these disadvantages, some Korean producers have concentrated on independent development. Hyundai, South Korea's largest manufacturer is now self-sufficient in most areas of design and manufacturing. "We emphasise the development of our own technology," says Mr Lee, who adds that "we started to assemble our own-designed engines several years ago."

But independence in technology is expensive and slow. Hyundai plans to devote over $200m to R&D this year and started its own research centre in 1970.

For the moment, Hyundai and the other Korean manufacturers have the convenient cushion of the domestic market. "Obviously growth will not be as fast as in 1989, but we are anticipating an increase of at least 20 per cent this year," says Mr Lee Dong Wha of the Korea Automobile Manufacturers Association. Profit margins, too, are generally higher on domestic sales.

The problem, according to analysts is that the domestic market cannot sustain the industry indefinitely. Although the ratio of passenger cars to population is about 1:30, and is lower than in Taiwan and most of the Asean countries, Korea's traffic infrastructure is already groaning under the weight of increased car ownership.

"The fast growing domestic market is very important," says Mr Joe Gormezano, an automotive consultant, "but it is not sufficient to provide the required volumes or technological stimulus for the Korean industry."



China resumes missile sales 'to raise cash'

By Our Foreign Staff

CHINA is reported to have begun exporting short-range ballistic missiles, probably to Iran or Iraq, to raise badly needed cash.

Chinese defence ministry officials said they were unaware of any missile sales. But western diplomats said shipments of the surface-to-surface missiles were being made while western countries enjoyed vastly reduced influence with the Peking Government because of the severe strain in ties since the massacre of demonstrators in the capital last June.

In 1987, following a row about the supply of Silkworm missiles to Iran during the Iran-Iraq war, Wu Xueqian, the then Foreign Minister, said in a Financial Times interview that China had been too lax in controlling the sales of its weapons and was introducing strict new controls. Although China denied sending the missiles to Iran, US satellite intelligence showed the missiles being loaded onto a ship at a Chinese port and off the same ship at an Iranian port.

President George Bush has said Mr Brent Scowcroft, the US National Security Adviser, on a controversial visit to Peking in December, was given a "very sound" pledge that missiles would not be sold to the Middle East. But the US Administration has not specified what kind of missiles were covered by the pledge.

Witnesses have seen two convoys carrying 26 missiles as well as launchers and other accessories moving through the outskirts of Peking since Saturday. The convoys appeared to be heading towards the main north China port of Tianjin.

The missiles were believed to have been the M1B, which has a range of 50 to 70 miles and is a relatively new addition to China's arsenal, developed within the last two years. The convoys moved under cover of darkness with police cars leading the way and bringing up the rear.

China announced a sale of its CSS2 intermediate range ballistic missiles to Saudi Arabia in 1988 in a deal estimated to be worth more than $1bn. The CSS2 has a range of 2,000 miles and is adapted from the Long March-1 rocket.

Israel's religious parties relish power

By Hugh Carnegy in Jerusalem

THE senior Israeli industrialist – a kibbutznik from the heart of Israel's secular, socialist Zionist tradition – shook his head. "Can you imagine? In the modern state of Israel everything comes to depend on an old rabbi and his tiny religious party. It seems like Khomeinism. But they are not Israel."

Most Israelis expressed similar disquiet that the address by a nonogenarian rabbi to a gathering of his fervent ultra-orthodox followers in the incongruous setting of Macabbi, Tel Aviv's basketball stadium, should apparently determine the fate of their Government, and with it whether the nation moves towards peace talks with the Palestinians.

The ultra-orthodox communities are indeed only a small proportion of the population, hoisted to power and influence by Israel's extreme version of proportional representation. But whether the less God-fearing majority like it or not, the religious parties have learned over the years how to play the political game and, to some extent, have themselves been changed in the process.

At first sight the scene on Monday night owed nothing to conventional politics. The 10,000 black-hatted, black-coated Ashkenazi faithful of the Degel HaTorah party – which has two seats in the 120-seat Knesset – prayed, chanted psalms and then let forth a deafening crescendo of singing for their Lithuanian-born mentor Rabbi Eliezer Schach as the tiny old man made his way to the podium.

They fell into reverent silence as he delivered in a cracking voice, in Hebrew and Yiddish, a powerful injunction against the kibbutzniks and other secular Jews who, he said, had abandoned their faith. He pointedly eschewed a direct political message.

On the stadium floor, however, the ultra-orthodox equivalent of "spin-doctors" worked the assembled journalists assiduously. In a skillful political operation, they quickly established the interpretation that Rabbi Schach, in his elliptical way, was signalling that Degel HaTorah, and its sister Sephardic party Shas, which has six Knesset seats, would not supply the votes Mr Shimon Peres, the Labour party leader, needs to form a Government committed to peace talks.

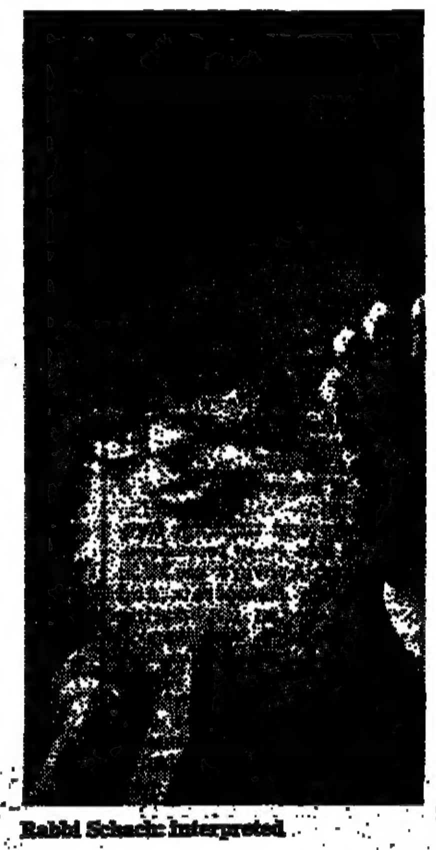
The result was a near concensus in Israel yesterday that Mr Peres's chance of forming a Government was now very slim. Likud members expressed confidence that Mr Shamir could do so instead.

But the game is far from over yet and Degel and Shas have carefully not closed their options as the struggle between Mr Peres and Mr Shamir continues. After all, Rabbi Schach made an oblique reference to territorial issues that seemed to favour Labour policy. It won't have escaped him either, that Likud and Labour are vying with each other to pour extra public money into religious institutions as the budget is finalised in parliament.

The episode illustrated not only how the religious parties have developed their own ways of working the system, but also how they have become inextricably involved in mainstream political issues far beyond narrow religious concerns.

Apart from the National Religious Party, the religious groups now in parliament (Shas and Degel HaTorah grew out of a split with Agudat Israel, which currently has five seats) are non-Zionist. They rejected the establishment of the state in 1948 on doctrinal grounds. Their men do not serve in the army, a persistent cause of resentment among most Israelis.

They were involved in coalitions with both Labour and then Likud for years. But a virtual stalemate between the two big parties since 1984, and greater mobilisation of their own support has thrust the religious parties into the position of making and breaking governments.



Rabbi Schach: interpreted

Punjab elections postponed for a year

By K.K. Sharma in New Delhi

ELECTIONS in Punjab are to be postponed for at least another year following agreement by all political parties that the atmosphere of violence will not permit a free poll.

The Indian Government yesterday introduced a bill to parliament to amend the constitution providing for extension of President's rule, or direct administration by the central Government, for another year.

President's rule has been in force for nearly three years, two more than is normally permissible under the constitution, which allows direct administration by New Delhi for two successive periods of six months if constitutional government is not possible in a state.

In the case of Punjab, where militants have launched a violent movement seeking a separate Sikh nation that they call Khalistan, the constitution was amended two years ago by Mr Rajiv Gandhi's Government for a further extension of President's rule. Another amendment of the constitution is necessary to postpone elections yet again.

The Government of Mr V.P. Singh has promised to apply "a healing touch" to the Sikhs. It has already met some of their demands such as prosecuting the killers of more than 3,000 Sikhs in Delhi and northern India after Mrs Indira Gandhi's assassination by her Sikh security guards in 1984.

Mr Singh has visited Punjab twice since taking over as Prime Minister nearly four months ago and has held consultations with other political parties on finding a solution to the Punjab crisis. He has also established contact with Mr Simranjit Singh Mann, a former police officer who is thought to have links with the militants. Mr Mann was freed from jail after being elected to parliament last November.

A great deal of hope was pinned on Mr Mann whose party is now thought to be the dominant political group in Punjab. Mr Mann does not, however, seem to be acceptable to all the militant groups since terrorist violence in Punjab continues unabated even though he has condemned killing of innocent people.

Australia 'facing grave economic problems'

By Kevin Brown in Sydney

AUSTRALIA is running out of time to solve its grave economic problems, Senator Peter Walsh, Finance Minister in the caretaker Labor government, warned yesterday.

His warning sets the stage for a battle over environmental constraints on industrial development if Labor is returned to office following last Saturday's closely fought general election.

Counting was still going on last night but Labor seems set to win a parliamentary majority of three or four seats. The final result is expected tomorrow.

Senator Walsh said he was speaking out to try to prevent the new government becoming a hostage to pressure groups.

"Time is running out for Australia," he told the Sydney Morning Herald newspaper. "We have only a few years to address the fundamental economic problems or they will become irredeemable for the best part of a generation."

Senator Walsh said Australia's survival as a First World nation was at stake. Referring to the effect of environmental contraints on the economy, he said: "The environment in Lagos, Calcutta and Mexico City is pretty bloody dreadful and it is in that direction this group will take Australia if their agenda is met."

Senator Walsh said Australia's A$120bn (£55bn) foreign debt was likely to increase by around A$18bn this year because of the Government's failure to reduce the current account deficit, running at around A$2bn a month.

"The economic situation is so grave that the Government should not be deflected from pursuing the things that should be done by either opinion polls or a slender majority," he said.

Senator Walsh's comments infuriated the environmental movement, which has successfully opposed several mining and industrial projects in environmentally sensitive areas.

27 killed in rebel attack on Kabul

TWENTY-SEVEN people were killed and 22 injured when Afghan rebels fired rockets into residential areas of Kabul yesterday, Kabul radio said in a broadcast monitored by the British Broadcasting Corporation, Reuter reports from London.

Four ground-to-ground missiles were fired, one hitting a packed mini-bus, the radio said. Hundreds of people have been killed in rocket attacks on the Afghan capital during the past year.

The rebels have attacked several strategic cities in the south of the country recently in what appears to be the start of a spring push against the Soviet-backed authorities.

Government troops killed 39 rebels in fierce fighting around the besieged city of Khost on Saturday, acting Foreign Ministry spokesman Mr Mohammad Nagib said.

The Government has been bracing for an offensive since Defence Minister Shahnawaz Tanai fled to join the western-backed rebels three weeks ago after leading a bloody coup attempt against the Government of President Najibullah.

Ivory Coast doctors strike

By Mark Huband in Abidjan

DOCTORS in Ivory Coast yesterday voted for a indefinite strike and withdrew emergency cover in protest at mass arrests of demonstrators on Monday night.

More than 300 doctors voted for a 48-hour strike on Monday in protest at a planned 14 per cent pay cut to be introduced on March 31 as part of a government austerity plan.

But the arrest on Monday afternoon of Mr Richard Kodjo, a doctor at Abidjan's university hospital, prompted the National Union of Senior Health Executives to threaten an all-out indefinite strike if he was not released immediately.

His arrest on Monday was followed a few hours later by the arrest of 150 teachers and doctors in Abidjan who had defied a nationwide ban on demonstrations imposed earlier in the day. Mr Kodjo was accused by police of organising demonstrations when he was arrested, but union officials deny this.

The events follow a call on Sunday by leading Catholics in Ivory Coast for an end to the climate of intimidation which is building up in the country.

Malaysians raise voices against Islamisation

Lim Siong Hoon in Kuala Lumpur

MALAYSIAN opposition and non-Moslem groups have stepped up their campaign against what they see as a trend towards Islamisation of the country through state and national legislation supported by Dr Mahathir Mohamed, the Prime Minister.

The most controversial law yet is one which permits conversion to Islam of minors without their parents' consent. This was passed by the Selangor state legislature last July, despite a constitutional guarantee giving parents the right to determine their children's religion.

The Malaysian Consultative Council of Buddhism, Christianity, Hinduism and Sikhism announced a campaign to collect a million signatures against the law, but promptly called it off after Dr Mahathir agreed to a meeting to discuss the issue.

The Selangor controversy is the latest in a long list of grievances in a country where about half the population is Moslem. Non-Moslems have been unhappy for some time on such issues as restrictions on church and temple construction and tax inequalities.

The latest outcry is confused by constitutional contradictions. In a landmark decision earlier this month, the Supreme Court ruled that parents have the constitutional right to decide the religion of their children under 18. But state legislatures also have constitutional powers to pass Islamic laws.

Eight legislators from the Malaysian Chinese Association, a member of the ruling coalition controlled by the United Malays National Organisation (Umno) of Dr Mahathir, have threatened to resign over the Selangor law.

Dr Mahathir has blamed the opposition, the Democratic Action Party, for aiding the campaign, saying he would hold the party responsible if racial riots broke out as a result.

A general election is expected this year and Dr Mahathir appears eager to calm religious tensions as his coalition will rely on non-Moslem votes to retain its two-thirds majority in parliament.

Algeria admits foreign capital

By Francis Ghilès

THE Algerian National Assembly has approved a banking and investment law which opens the door to foreign investment, outside oil exploration, for the first time since independence in 1962.

Apart from some sectors which are reserved for the state, and which are not as yet defined, foreign investors will be allowed to own up to 100 per cent of companies and repatriate all profits.

Foreign banks will be able to set up representative branches (three French banks, Credit Lyonnais, Société Générale and Banque Nationale de Paris already have); joint ventures (the private Saudi group Al Baraka set up a joint bank and a joint leasing company earlier this month); and open branches (Credit Lyonnais has just done so) to offer a wider range of banking services.

The new law also lays the foundations of a more modern banking system, in which the banks will enjoy much greater autonomy from the Ministry of Finance. It reinforces the powers and freedom gained by the central bank since Mr Mouloud Hamrouche became Prime Minister last September.

Zimbabwe election may be last under a multi-party system

From next month Mugabe can – and probably will – declare a one-party state if he wins poll, writes Julian Borger

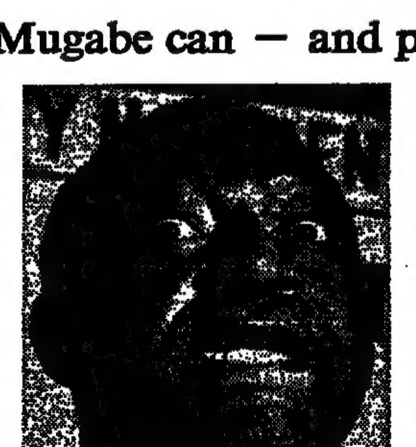
POLLING begins today in what may prove to be Zimbabwe's last multi-party presidential and parliamentary elections.

Ten years since coming to power President Robert Mugabe and his ruling party, the Zimbabwe African National Union (Zanu), face a severe test both of the country's economic record and the government's plan to create a one-party state.

On the economic front, an acute foreign exchange shortage, a chronic transport crisis, annual population growth rate of well over 3 per cent, and growing pressure on land have left the economy unable to cope with the rising level of unemployment.

On the constitutional front, President Mugabe has made it clear that an election victory will be treated as a mandate to make Zanu the sole political party, a change which becomes possible with the expiry next month of the 1979 Lancaster House constitution which paved the way to independence the following year.

Zimbabwe can claim a degree of economic success since 1980, particularly when set against the dismal record of most African states. Average annual gross domestic product growth during the decade is around 4 per cent, while the benefits of independence are best illustrated by rapid growth of education and health services.



Tekere: chequered record

But underlying trends are worrying. Only 8,000 new jobs a year have been created in the formal employment sector of the economy, while 300,000 school-leavers are expected to come onto the labour market this year.

Unemployment coupled with a widespread sense of disillusionment, fuelled in part by increasing corruption, have created an opening for a new opposition party, the Zimbabwe Unity Movement (Zum), which was launched last year advocating a multi-party democracy and a mixed economy.

Led by the former secretary-general of Zanu, Mr Edgar Tekere, the party was formed just as Zanu was plastering over the traditional divide in Zimbabwean politics by merging with its rival, the Zimbabwe African People's Union (Zapu), led by Mr Joshua Nkomo.

The merger brought closer President Mugabe's oft-expressed intention of creating a one-party state – hence Mr Tekere's warning to Zimbabweans that if they vote for Zanu, it will be their last vote in free elections.

The Zum leader has a chequered record, which includes an incident shortly after independence in which he led a raid in which a white farmer was shot dead. Although he was charged with murder, the case was dismissed on a technicality.

Mr Tekere's most fervent following is on the university campus, closed last October after student disturbances, and which will be re-opened only in late April. But the bulk of his support comes from the urban unemployed.

There are, by contrast, few signs of opposition support in the rural areas, where Zanu has traditionally had a strong grip on the population, and where new schools, clinics and incentives for peasant farmers have had a marked impact since independence.

Even in the western province of Matabeleland, long the seat of bitter opposition to Zanu, memories are still fresh of Mr Tekere's threats, when still senior official in the party, to crush Zapu's support in the area.

The potential for rural backing for Zum has been further undermined by Mr Tekere's controversial decision in February to merge with the all-white Conservative Alliance of Zimbabwe (Caz), direct descendant of Mr Ian Smith's Rhodesian Front.

The pact means that Zum has been unable to match Zanu's promises of wholescale redistribution of land from white farmers to blacks now farming overcrowded communal lands once the Lancaster House constitution expires. That constitution ensured that land would be transferred on a "willing-buyer, willing-seller" basis. But with the prospect of such constraints falling away, President Mugabe has been touring the country on the slogan: "Land to the people now."

It has not yet been made clear how this will be achieved, although government officials are giving out assurances that there will be no wholesale land seizure without compensation.

Despite the opposition weaknesses, Zanu has approached the election campaign with an urgency bordering on panic. Mr Mugabe is touring the country addressing up to three rallies a day, while a Zanu candidate told his constituents that the party would "go back to war if it loses the elections".

Campaign violence has been on the increase as the two-day polling period approaches. In a shooting incident last Saturday the Zum candidate in the Midlands town of Gweru, Mr Patrick Kombayi, an ex-mayor who was making an energetic challenge to Vice-President Simon Muzenda, was wounded, together with five of his supporters.

Mr Kombayi, a Zanu stalwart until his conviction for beating up a local shopkeeper embarrassed the party, claims that police and members of the Central Intelligence Organisation were responsible, a charge that has been denied.

In what has been a rough and tough campaign, a slogan that would win a bad-taste award is being screened on state-controlled television: a coffin being removed from a hearse with a voice-over "AIDS kills – so does Zum".

●PLO leader Mr Yassir Arafat dismissed Israel's political stalemate on Tuesday as an attempt to evade peace talks and win time to crush a two-year-old Palestinian uprising, Reuter reports from New Delhi.

"I expected this," Mr Arafat said of the deadlock over forming a new Israeli government. The previous coalition fell apart over a US proposal for peace talks with Palestinians in Cairo.

Mr Arafat was addressing a news conference after receiving an award for promoting international goodwill from India, the first country to recognise the self-declared state of Palestine last year. He has been greeted in Delhi as Palestinian president.

He accused the US and other unnamed countries of refusing to admit Soviet Jewish migrants, suggesting that many of the 100,000 Soviet immigrants which Israel expects this year had really wanted to settle elsewhere.

Arabs fear many of the Soviet Jews will settle in the occupied territories where Palestinians demand their own state.

UK NEWS

Wales joins Stuttgart's 'Europe of the regions'

By **David Goodhart** in Bonn

THE PRIME minister of the economically flourishing West German state of Baden-Wuerttemberg, Mr Lothar Spaeth, yesterday signed a special co-operation agreement between his state and Wales which will couple Wales to four of Europe's fastest growing regions.

Mr Spaeth is an advocate of a "Europe of the regions" and has already signed similar co-operation deals with Rhone-Alpes in France, Catalonia in Spain and Lombardy in Italy, together known as the "four tigers".

The "umbrella" agreement signed yesterday establishes a working group to meet annually and commits both regions to foster collaboration between companies and universities. The Welsh Development Agency has already presented the names of six companies seeking joint ventures to the economic co-operation office in Stuttgart, the capital of Baden-Wuerttemberg.

Initially Mr Spaeth had sought a deal with a more obviously "high-tech" region of the UK but thanks to some hard lobbying by Mr Peter Walker, former Minister for Wales, and the experience of Japanese and West German firms – most notably Stuttgart-based Bosch – Mr Spaet decided to make Wales the fifth tiger.

At the same time, the UK has decided to re-open a full-time Consulate-General office in Stuttgart. Head of the office, which was closed in 1985, will be Mr Roger Thomas – a Welshman.

Drugs profits to be seized at UK ports of entry

By **Richard Donkin**

PROPOSALS to give police and customs officers at ports and airports powers to seize suspected profits from drug trafficking were announced by Mr David Waddington, the UK Home Secretary, yesterday.

The move is designed to stop the movement of cash in and out of the UK by drug launderers. Customs and Excise investigations officers have been worried about the "carrier bag" trade in cash coming in and out of the country, which hitherto they have been powerless to prevent.

The movement of cash in and out of the UK has been unrestricted since the abolition of exchange controls more than 10 yrs ago. The exploitation of this freedom of movement by drug traffickers is thought to have been on the increase since the Drug Trafficking Offences Act of 1986 enabled the authorities to seize and freeze suspected drug proceeds concealed in the banking system.

Mr Waddington said: "The success of our Drug Trafficking Offences Act in encouraging financial institutions to alert the authorities to money laundering activities has forced more international traffickers to carry and deal in cash.

"Clearly it should not be possible for professional traffickers freely to pass in and out of the UK carrying suitcases full of money."

The new provisions, to be inserted in the Criminal Justice (International Co-operation) Bill currently before Parliament, would allow police or customs officers to seize and hold amounts of £10,000 and more if they suspected the money could have been connected with drug trafficking.

The legislation would also give a magistrate the authority to order that the money be held for a period of up to three months. A magistrates court would be able to impose subsequent 3-month holding orders up to a maximum of two years.

Powers to detain suspected drug money entering or leaving the country were originally proposed in a report on drug trafficking and related serious crime published by the Parliamentary Home Affairs Committee in November 1989.

BR may set up telephone link

By **Michael Skapinker**

BRITISH Rail is considering setting up its own telephone network or allowing an outside company to do so on its behalf.

BR has already allowed Mercury Communications to use some of the concrete troughs which run alongside railway lines to lay fibre optic cables and has Mercury public telephones in some of its stations. It has also agreed to allow telepoint companies to operate from stations.

The British Rail plans come in the wake of the launch of National Network, which will offer the Post Office's excess internal phone and computer lines to outside users.

Britain may opt for own green labels scheme

By **John Hunt**, Environment Correspondent

BRITAIN might introduce its own system of environmental labelling of goods in the shops next year if the European Community fails to agree a standardised scheme, Mr Chris Patten, the Environment Secretary, said yesterday.

The UK had been pressing for an EC system to be adopted following complaints that some manufacturers were making bogus claims that their goods were environment friendly.

Speaking to a business and environment conference organised by The Times newspaper and Coopers and Lybrand Deloitte, he advised the EC to "get its skates on."

"I think it is important for consumers that we have our own scheme whatever happens in the rest of Europe."

Mr Patten also warned that British manufacturers were falling behind in the export of environmental control equipment and were in danger of losing markets to the West Germans and the Japanese.

He said there was an expanding world market currently estimated at over £100bn a year. The British market was £3bn with growth of around 9 per cent expected over the next 10 years.

The western European market was estimated at £20bn and expected to increase to £30bn by the end of the decade.

"To the best of our knowledge the relative share of the UK in the world market is in decline," he said.

The UK had a good share in environmental consultancies, materials recovery and sewage treatment. But it was less strong in waste incineration and waste handling equipment.

He said there were opportunities for new technologies and quicker commercial application of existing ones.

"The Government can help," he said. "But the main onus is on industry itself to respond to the opportunities that are there to be grasped."

Mr Patten called on industry to be more open about its environmental performance. He suggested that companies should not just carry out their own environmental audits. They should also produce public statements setting out their environmental policies and their record in meeting regulations.

World drugs industry urged to raise health standards issue

By **Peter Marsh**

THE pharmaceuticals industry needs to develop new advertising concepts to convey its message about raising health care standards to the public, Professor Walter von Wartburg, a top executive at Ciba-Geigy, the Swiss drugs and chemical company, said yesterday.

Speaking on the second day of a Financial Times conference in London on world pharmaceuticals, Professor von Wartburg said the industry was operating in a rapidly changing environment where patients demanded a greater say in health care provision.

The drugs industry in general would have to do more to explain how it operated to a wider public and emphasise links between new product introductions and data on raising life expectancy and other health indicators.

One idea, said Professor von Wartburg, would be increasingly to use celebrities, such as famous sports personalities, to associate themselves with new drugs and so convey the message about how specific individuals could be helped by individual medicines.

In the US Ciba-Geigy had invited a well-known football player to talk to the media about how he had been helped by one of Ciba-Geigy's medicines. This had generated useful publicity for the company and Professor von Wartburg said that a similar approach

FT CONFERENCE

WORLD PHARMACEUTICALS

could also be appropriate in Europe.

Dr Hans-Peter Sigg, vice-president of Sandoz, another Swiss drugs company, said that pharmaceuticals was probably the most heavily regulated industry of all major business sectors. Governments had a large say in many countries in setting prices and also in licensing drugs on safety grounds.

However, during the 1990s, there was good reason within Europe for freeing drugs companies from many of the rigid systems of price controls which currently existed. That would free the industry to charge higher prices for many of its innovative new products and underpin the future expansion of the industry.

In exchange for this freedom, Dr Sigg said, the reimbursement systems by which governments paid for a large share of pharmaceuticals consumption might need to be changed. As a way of ensuring that governments' bills for drugs did not soar as a result of the higher prices, more patients might need to contribute a greater proportion of medicines' costs directly than is now the case in many countries, especially in Europe.

Mr Gerald McMurtry, a vice-president in the US division of Hoechst-Roussel, the Franco German pharmaceuticals company, said the industry faced new pressures in the US as a result of rocketing health care costs. The industry would have to pay more attention to showing that it was providing value for money.

Industry urged to function as a negotiating partner in the European Commission

Call for standardised data on European water quality

By **Richard Evans**

A VIGOROUS defence of UK water industry standards in comparison with others in Europe, linked with a call for increasingly high quality levels to be based on scientific evidence rather than emotion, was made by Mr Bernard Henderson, chairman of the Water Services Association, yesterday.

Speaking in London at a Financial Times conference on the European water industry, Mr Henderson, also chairman of Anglian Water plc, questioned the basis on which some European Commission quality improvements were being made.

"For some requirements an absolute level of compliance is important. For others it is not. If we are not to spend millions, possibly billions of pounds, in the vain pursuit of an equivalent of philosophers' gold we should review some of the parameters and interpret them on a more practical basis," he said.

It was a call that attracted widespread support from an industry faced with a massive investment programme over the next decade to bring water, river and bathing beach quality up to EC standards.

Mr Henderson argued that in spite of adverse and damaging publicity in the run up to privatisation last year, the UK had never been the dirty man of Europe. "With West Germany, Denmark and Luxembourg, the UK's water services are the best in Europe," he insisted.

The EC was struggling to develop a policy to underprint its environmental strategy, but there was a danger that some of the thinking was going in the wrong direction.

"One way or another we have to establish arrangements for assessing and pronouncing on standards which give the public and our customers confidence that they can rely on what is being said."

Mr Michael Rouse, managing director of the Water Research Centre, supported the need for proper data in the areas of drinking water, river and sea water quality.

He said that current data was simply not comparable across the EC, and for the UK and others to be seen in a proper light, this needed to be rectified. He hoped that the proposed European Environmental Agency would meet this need.

Mr Nigel Hawkins, water industry analyst for Hoare Govett Investment Research, outlining the prospects for the 10 recently privatised water companies in England and Wales, said the combination of major debt write-offs, a generous "green dowry" and beneficial corporation tax treatment made institutional investment in water particularly attractive.

FT CONFERENCE

EUROPEAN WATER

But the massive 10 year capital programme of over £24bn gave rise to deep concern about potential price and time over runs.

Nevertheless, he thought the prospects for the companies over the next five years were "distinctly positive", and forecast that operational profits for all 10 would increase from around £1.1bn in 1989-90 to £2.4bn in 1994-95.

Mr Christopher Timbrell, director of Coopers & Lybrand Deloitte, speaking on the balance between market forces and regulation in Europe, said the industry in England and Wales was the only one with 100 per cent private participation in ownership and management.

Unlike the majority of our European counterparts, they would be unable to look to public sector funding, and competition to be the most attractive to the market would become increasingly fierce.

He said the mix of public and private sector involvement in water services varied considerably across Europe, with low private sector involvement in Belgium, Italy, Denmark, the Netherlands and Luxembourg, but considerable private sector input in the management and operation of water services in France, West Germany and Spain as well as the UK.

He assumed the UK companies would increasingly seek to diversify their business interests. "Well focused strategies, based on a good understanding of the market . . . will play a major part in achieving success in new ventures. Not surprisingly, this focused, strategic approach has been at the core of the French companies' success in diversification."

Mr Rob Kreutz, co-ordinator of groundwater and environmental affairs at the Netherlands Water Works Association (VEWIN) said the water industry faced many challenges, and if it missed the opportunities it risked losing the confidence of the consumer, and its position in many countries as a valued partner of national governments.

He thought the most important task was to develop a single voice that would allow the European water industry to function as a fully-fledged negotiating partner for the European Commission. It was also vital for it to develop into an environmental industry.

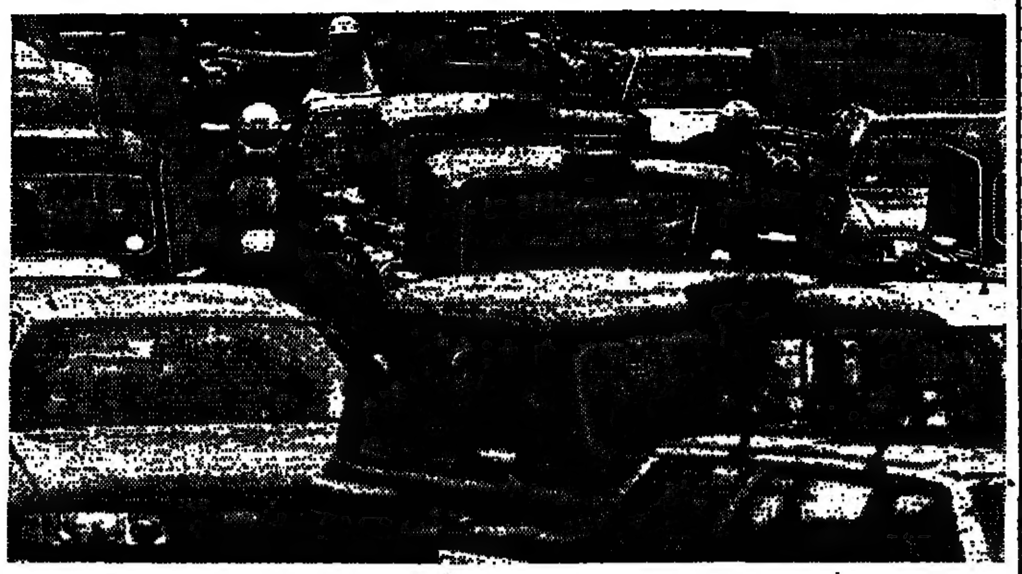
On the first day of the conference Lord Crickhowell, chairman of the National Rivers Authority, the industry's environmental regulator, warned that the NRA intended to take an increasingly strict line against all polluters, and particularly against water companies that abstracted excessive amounts of water.

He said he regarded the NRA's responsibility for the control of resources and for reducing excessive abstractions at least as important as the responsibility for reducing pollution.

"I have to tell the water industry and other abstractors that we believe it will be necessary for us to take a tough line and in some instances we will have to revoke existing abstraction licences," he said.

He added that the NRA was determined to introduce automatic and frequent sampling of significant discharges and of river water quality as a matter of the highest priority.

London abandons £2bn major road schemes



ENVIRONMENTALISTS and local London pressure groups last night welcomed as a famous victory the Government's decision to abandon six big road improvement schemes for London which would have cost £2bn and disrupted whole districts for up to 15 years during construction, writes Roy Hodson

Friends of the Earth called the decision "a significant victory."

The Government had faced sustained pressure over a series of road proposals during the 1980s. It grew and reached a crescendo last year after more detailed options were published and as the time for a decision approached.

Mr Cecil Parkinson, the Transport Secretary, is instead putting forward a more modest set of road improvement schemes and the designation of priority "Red Routes" for efficient movement of traffic, including buses. Rail system improvements are also being considered.

Mr Parkinson told the House of Commons he had decided not to proceed with the big schemes – which had been recommended by consultants after studies lasting five years. The abandoned projects are:

- A tunnel from Chiswick to Wandsworth;
- The western London environmental improvement route;
- Large schemes on the south circular road including tunnels under Clapham Common, Dulwich Park, Tulse Hill, and Forest Hill;
- New routes across Chipstead valley and along the Wandle valley;
- New roads at Norbury and Streatham;
- A new route from Hollway Road to Kings Cross, and the Archway scheme.

The decision to abandon the big projects, which have already cost £10m in consultancy fees, was taken after the Government concluded that the major civil engineering works in Greater London during the construction period – and the permanent disruption caused to settled localities by the new routes – would not achieve the overall objective of improving London's environment.

The more modest alternative set of road improvements will cost about £250m – mainly involving improved roundabouts and junctions. Mr Parkinson said better traffic management must be a priority in London. Higher priority must be given to buses, cyclists, and pedestrians.

An important element in the planned Red Routes scheme will be the appointment of a Traffic Director for London who will be responsible for administering the routes and will have powers to act against local authorities or others to ensure compliance. Legislation will be needed to provide the official with the necessary powers.

The Traffic Director will operate outside the Department of Transport and will co-ordinate the measures needed to make sure that the Red Route regulations are consistent throughout the Greater London transport system.

Mr Parkinson said new rail systems for London identified in the assessment studies were under active consideration. They are: the Central London rail study; the Chelsea-Hackney underground line; the East-West crossrail with British Rail; the Docklands light railway extension to Lewisham; the East London underground line extensions to Dalston in the north and East Dulwich in the south; and the Croydon light rail scheme.

GUINNESS TRIAL

Jury told of dispute over need for disclosure in code

By Raymond Hughes, Law Courts Correspondent

AT the time of the Guinness takeover of Distillers in 1986, eminent City of London practitioners differed from the takeover panel in their view of the requirements of the City code on takeovers and mergers, the Guinness trial heard yesterday.

The difference was over whether the code required disclosure to the panel of indemnities against loss offered to those who supported the share price of a company involved in a takeover, the jury at Southwark Crown Court was told.

Mr Ernest Saunders, former chairman and chief executive of Guinness, Mr Gerald Ronson, chairman of the Heron group, Mr Anthony Parnes, a City stockbroker, and Sir Jack Lyons, the millionaire financier, have denied charges arising from an allegedly unlawful share support operation mounted by Guinness during its battle for Distillers.

The operation involved offering indemnities against loss, and paying success fees, to those who bought Guinness shares to support the share price.

A prosecution witness, Mr Peter Fraser, deputy director general of the takeover panel since 1973, said that one of the vices at which the panel's rules on disclosure of share purchases was aimed, was the prevention of the creation of a distorting false market in shares.

He said that stockbrokers and merchant banks had a duty to ensure their clients were aware of the obligation to disclose share purchases by an associate of a company involved in a takeover.

Cross-examined by Mr Colin Nicholls, QC, for Mr Parnes, Mr Fraser agreed that at the time of the Distillers takeover, there had been no reference in the code to indemnities. He said that indemnities had not been precluded by the code; they had been treated as dealings which had to be disclosed to the panel.

Had the panel thought that there must have been "a view abroad" that indemnities did not have to be disclosed? asked Mr Nicholls.

Mr Fraser replied that the panel was at a loss to understand how it could have been thought that disclosure was not required. Also the panel had deplored the failure of the advisers to consult it.

The highly reputable advisers had been out of step with the panel? asked Mr Nicholls.

Yes, replied Mr Fraser.

Mr Nicholls referred to a background paper produced by the panel executive which had referred to a tendency not to consult the panel in "grey cases." Had it been the panel's experience that cases it had thought were grey or doubtful had not been so regarded by practitioners? he asked.

That must have been so on occasions, Mr Fraser said.

The trial continues today.

In Brief

Britain will invest £32m in European Space plan

THE BRITISH Government is to invest £32m over the next 10 years in a new European Space Agency programme. The investment is being targetted at satellite communications.

Meanwhile, Mr Douglas Hogg, Minister for Industry and Entreprise, said the Government would not intervene to help the Juno Mission, the troubled British private manned space flight. He said it would not be a worthwhile use of the £150m available for Britain's space programme.

Jameel libel action settled

SETTLEMENT was announced in the High Court recently of a libel action brought by Abdul Latif Jameel Co Ltd, the Saudi Arabian car distributor, against the Financial Times.

The company complained that a report on Arab banking published in the paper on October 14 1985 implied that it had run into financial difficulties.

The paper's solicitors said that the Financial Times had not intended to make such a suggestion and accepted that Abdul Latif Jameel Co Ltd had never been in financial difficulties.

World Cup sponsor

NATIONAL POWER, Britain's biggest electricity producer, is to spend £2m on sponsoring commercial television coverage of this year's World Cup football. PowerGen, its rival, sponsors ITV's weather forecasts.

Euro-degree stopped

THE CRANFIELD School of Management, one of Britain's leading business schools, has axed its European management master of arts degree because of lack of financial support from Government and industry.

Rail plan stopped

THE CORPORATION of London rejected the revised plan for the Docklands Light Railway to be tunnelled underneath the historic Mansion House, since it failed to include measures to protect the building which does not have foundations.

Voucher payments to 'revolutionise attitudes' to training

By Lisa Wood

PLANS for pilot training schemes with "the potential to revolutionise attitudes towards training" were unveiled by the Government yesterday.

Training credits, with a probable individual value of £1,000, will be given to a selected number of young people presently eligible for Youth Training Schemes who will be able to cash them in return for training.

Employers participating in the pilot schemes will no longer receive YTS subsidies and will pay a market wage. The Government believes demographic changes, with a shortage of skilled workers, will encourage employers to take up the pilots.

Mr Michael Howard, Employment Secretary, who launched the plans with Mr John MacGregor, Education Secretary, said credits were not intended to replace the YTS. But he said: "We will be looking at the pilots to see what the lessons are and the prospects of taking credits forward."

The estimated 10 pilot schemes, lasting two years, will be administered by the new employer-led Training and Enterprise Councils (TECs), which later this year will take over responsibility for national training schemes. The Government wants local education authorities to supervise the credit schemes.

The pilots will be funded from planned provision for YTS and local education authority budgets, plus an extra £12m in 1991-92, rising to £25m the following year.

Sir Bryan Nicholson, chairman of the CBI's Vocational, Education and Training Task Force, welcomed the initiative.

Mr Tony Blair, shadow Employment Secretary, questioned what impact the scheme would have on Britain's overall skills shortage.

Mr Norman Willis, TUC general secretary, said he was glad to see the Government acting to pilot an idea that had won wide support in industry and the trade union movement.

New energy HQ costs taxpayer extra £6.4m

By Hazel Duffy

COST overruns and delays in the preparation of the new London headquarters for the Department of Energy have cost the taxpayer £6.4m more than the predicted costs of the move, according to the National Audit Office.

The report, by the Parliamentary watchdog on public spending, lists a series of mix-ups over who was responsible for verifying costs – the Government's Property Services Agency, or the developers, Chesterfield Properties – and poor management generally on the part of the PSA.

The situation was exacerbated by the Department of Energy failing to specify exactly what it wanted in its new headquarters, and subsequently changing its mind on its requirements.

For the PSA, the timing of the report is particularly unfortunate. From next Monday, departments will no longer be tied to using the PSA for their accommodation needs.

Overall, the delays led to penalty costs of £2.6m and rent of £2.8m for the eight month period between notional completion of the developer's building works and occupation by the Department last August.

The costs of the works, which were being carried out by the developer under an agreement with the PSA, escalated from £5.7m (£30 per square foot) in 1986 to £15.6m (£84 per square foot) in 1989. The increase included the penalty costs, inflation (£2.3m), VAT (£1.4m) uncertain in the original estimate, and changes to the building (£2.6m).

The NAO has identified four similar schemes with which the PSA is involved in the London region.

FT LAW REPORTS

Reinsurance indemnity claim is stayed for arbitration

HAYTER v NELSON
Queen's Bench Division (Commercial Court):
Mr Justice Saville:
March 22 1990

REINSURERS who agree to "follow the fortunes" of the reinsured may dispute whether they are bound to indemnify him against adjudged liability, in that the meaning of the phrase is undefined by authority; and accordingly, where the reinsurance agreement contains an arbitration clause, the court will stay indemnity proceedings by the reinsured, on the ground that *there is a dispute in the matter* which the parties have agreed to refer to arbitration.

Mr Justice Saville so held when staying proceedings for summary judgment brought by the defendant reinsured, Mr E.E. Nelson, against reinsurer, Home Insurance Co, third party in an action by plaintiff Lloyd's underwriter, Mr J.W. Hayter.

HIS LORDSHIP said that the reinsured sought summary judgment against the reinsurer. The latter sought a stay of proceedings under section 1 of the Arbitration Act 1975.

The reinsured's claim was for indemnity in respect of sums they had been ordered to pay to Lloyd's underwriters by arbitration award and court judgment.

In each case the underwriters were held entitled to recover under a whole portfolio reinsurance treaty.

The indemnity claim was based on a whole portfolio retrocession treaty by which the reinsurers agreed with the reinsured to accept by retrocession 100 per cent of the portfolio reinsurance treaty.

The retrocession treaty incorporated the reinsurance treaty and provided that the reinsurer should "in all circumstances follow the fortunes" of the reinsured in respect of the reinsurance treaty.

The arbitration clause in the retrocession treaty provided *"any difference arising out of* this agreement which cannot be settled amicably, shall be referred to arbitration."

The arbitration agreement was a non-domestic agreement, and thus one to which section 1(I) of the Arbitration Act 1975 applied.

Section 1(I) provided that if a party to an arbitration agreement began court proceedings "in respect of any matter agreed to be referred," any party might apply to the court for a stay; and the court, "unless satisfied . . . that there is not in fact any dispute between the parties with regard to the matter agreed to be referred, shall make an order staying the proceedings."

If the conditions of the subsection were met, the court must stay the proceedings. It had no discretion.

On the application for a stay the two issues were whether the *reinsured* had *begun legal* proceedings "in respect of any matter agreed to be referred;" and whether the court was satisfied that there was "not in fact any dispute between the parties with regard to the matter to be referred."

The reinsured's claim depended on rights under the retrocession treaty. The reinsurers accepted the validity of the treaty, but did not agree that the rights and obligations under it were as asserted by the reinsured.

The question was whether *there were "differences"* between the parties relating to those contentions. The court assumed for present purposes that "differences" in an arbitration clause and "disputes," bore the same meaning.

In some cases it was suggested that if a claim was indisputable, in that it could not be resisted on the facts or the law, there was no dispute or difference within the meaning of the arbitration clause (see *Ellis v Wates [1978] 1 Lloyd's Rep 33,37*).

To treat "disputes" or "differences" in the context of an ordinary *arbitration* clause as bearing such a meaning, led to absurdity, and involved giving them a meaning which, in context, was difficult to support.

In *Ellerslie v Klinger [1982] 1 WLR 1375*, Lord Justice Templeman said: "There is a dispute until the defendant admits that the sum is due and payable."

The fact that it could be easily and immediately demonstrated beyond doubt that one party was right and the other wrong, did not mean that the dispute did not exist. The ordinary meaning of "disputes" or "difference" should be applied in arbitration clauses.

It was sometimes suggested that since arbitrations provided great scope for a defendant to delay paying sums due, the courts should construe the words to exclude such cases.

There were at least three *answers* to that suggestion.

First, it assumed that arbitrations were necessarily slow processes. That could not be accepted as a general or universal truth. Arbitrators had ways and means of proceeding as quickly as the courts.

Second, by their arbitration clause the parties had made an agreement that in place of the courts, their disputes should be resolved by a private tribunal.

Third, if the courts were to decide whether or not a claim was "disputable," they were doing precisely what the parties had agreed should be done by the private tribunal. There was no good reason why courts should strive to take matters out of the tribunal's hands.

The present proceedings were in respect of a "matter agreed to be referred" within the meaning of section 1(I). A "difference" existed between them in respect of their rights and obligations arising out of the agreement to which the arbitration clause referred.

Mr Edelman for the reinsured submitted that there was not any "dispute" with regard to "the matter to be referred" within section 1(I), because the reinsured's claims were indisputable as a matter of fact and law. They had been adjudged liable to the underwriters after contested hearings.

That reasoning involved reading "there is not in fact any dispute . . . " as confining "dispute" to disputable matters. The phrase "or that there is not in fact any dispute . . . " resulted from a recommendation by the MacKinnon Committee (Cmd 2817), that the court should stay the action if satisfied that there was a "real" dispute to be determined by arbitration.

The words on their face appeared to indicate that there could be a "matter agreed to be referred" though there was no dispute.

That apparent absurdity could only be resolved by treating "dispute" in the context of the Act as meaning something different from the word as used in ordinary arbitration clauses, so that reading the phrase as a whole, "there is not in fact any dispute," meant "there is not in fact anything disputable."

That reading alone fitted with the Committee's recommendation and the fact that it was the identified problem which Parliament intended to resolve.

When considering an application for summary judgment, a *factor* to be taken into account was the existence of an arbitration agreement (see *Home Insurance v Mentor [1989] 3 All ER 74 per Lord Justice Parker*).

So only in the simplest and clearest cases, that is where it was readily and immediately demonstrable that the respondent had no good grounds at all for disputing the claim, should that party be deprived of his contractual right to arbitrate.

The question was whether it was readily and immediately demonstrable in the present case that the reinsurers had no good grounds at all for disputing the claim.

That could only be the case if the reinsurers were not allowed to go behind the judgment and the award.

There was no express provision in the retrocession treaty that retrocessionaires would be bound by judgments given or awards made against the reinsured.

Mr Edelman submitted that such an agreement was implicit in the promise "in all circumstances to follow the fortunes" of the reinsured.

The difficulty he faced was twofold. First, there was no authority on the meaning of a "follow the fortunes" clause, though the use of such clauses was commonplace in the reinsurance and retrocession business.

Second, it was clear from text book writers that there was considerable uncertainty, not to say confusion, as to what was meant by "follow the fortunes."

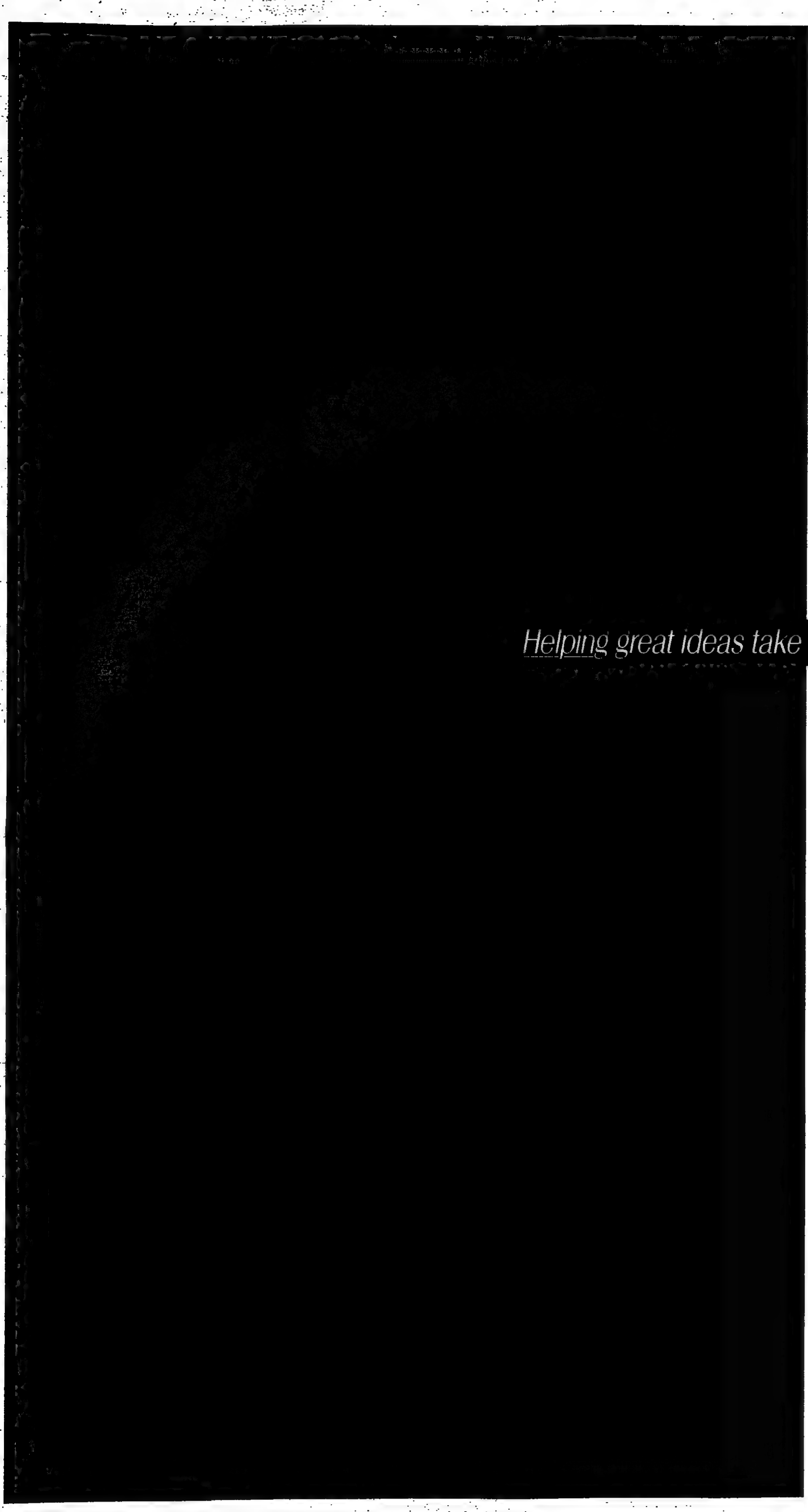
Those versed in the business were as well or better able than the court to judge what the parties meant. The court was not so sure that Mr Edelman was right in his suggested construction of the "follow the fortunes" clause that it was *satisfied* there was "not in fact any dispute . . . with regard to the matter agreed . . . to be referred."

Not only was the meaning of the clause open to doubt, but also a tribunal of the kind agreed in the arbitration clause was in a far better position than the court to judge whether the reinsurers undertook to be bound by judgments or awards against the reinsured.

Accordingly, the proceedings were stayed under section 1(i) and the application for summary judgment must fail.

For the reinsured: Colin Edelman (Bray Walker).
For the reinsurers: Jeffrey Gruder (Richards Butler).

Rachel Davies
Barrister



MANAGEMENT

Even in unsettled countries, joint ventures have a chance of success. **John Thornhill** and **Robin Pauley** report from Lithuania and China

Teaming up to score from perestroika

Although joint ventures in the Soviet Union promise much for Western companies, all too often they produce little in the way of material reward and still less in terms of hard-currency profits.

It can take years to negotiate trade terms with obdurate bureaucrats and any hard-won benefits can be swept away overnight by seemingly arbitrary legislation or endangered by political turmoil.

Despite the glamour of glasnost, perestroika still entails considerable perils and the record of establishing and running joint ventures is not good. Since January 1987 more than 1,000 joint ventures have been set up, mostly in the service or distribution industries, but because of various difficulties it has been estimated that only about 40 of these are working effectively.

Marvel then at the achievement of Clearmark Group, a small UK leisure company with no previous experience in dealing with the Soviet Union, which has just succeeded in setting up a joint venture in Lithuania to make plastic footballs. The plant is already up and running and manufacturing footballs of good quality. Clearmark plans to produce 2m footballs this year and is lining up exports to Poland.

Perhaps the most remarkable aspect of the deal is the speed with which it was completed. From the first meeting to production of the first football took less than nine months and the company is convinced that with sufficient determination even the most daunting of obstacles can be overcome and that the Soviet market of 280m people is there to be exploited.

Clearmark Group, formerly known as Fergabrook, had experienced a troubled trading history since joining the Unlisted Securities Market in 1984, but first started looking at overseas manufacturing opportunities in 1988 after it was the subject of a reverse takeover by Harrison's Harlestone Industries.

The enlarged company, which included the Wembley and Frido brand names, manufactured about 12m footballs a year – accounting for over three-quarters of the UK market.

Expansion overseas seemed a sensible way of using some of its surplus manufacturing equipment which was languishing in storage.

Clearmark's executives trawled the world looking for market opportunities. At various stages they considered setting up joint ventures in Turkey, Egypt, Australia, Thailand and China. But at the Earls Court Toy Fair at the beginning of 1989 they came across a businessman who had contacts in the Soviet Union.

He put them in touch with a contact who knew an enterprise in Lithuania, called Neringa, which was interested in forming joint ventures. So in April last year Neville Sykes, managing director of the Frido football-making subsidiary, arranged a meeting and flew out to Lithuania, a region he admits that he had never previously heard of, let alone visited.

Sykes was somewhat dismayed at the primitiveness of Neringa's factories – like many Soviet enterprises it manufactured a hotch-potch of products ranging from jerry cans and polyethylene packaging, toys, dolls to model cars – but he was immediately bowled over by the enthusiasm of the management and the fervent desire to conclude a deal.

Algimantas Matulevicius, Neringa's irrepressible 42-year-old manager, says that his negotiating hand had been freed by clearing things in advance with the relevant bureaucracy. "Before the people from England came out we had already decided how far we could take the talks. This made everything a lot quicker as issues could be sorted out without reference to a Ministry."

Talks between the two sides continued through the summer. In June, Neringa's senior management visited the UK and hammered out a protocol agreement on co-operation. Then, in September, a team of six from Clearmark travelled to Lithuania to settle the final details.

After landing, they travelled for 14 hours crammed into a minibus and began three days of intense and, at times, strained negotiations which culminated in the conclusion of the joint venture agreement.

Richard King (left) and Algimantas Matulevicius

The talks were, however, dogged with difficulties over understanding the other's point of view which led to several tense exchanges. "Their whole way of life is so different. They do not operate under the same commercial pressures as we do," explains Richard King, Clearmark's chairman. "They put great emphasis on hospitality and protocol. We wanted to sit down and talk; they wanted to take us on a 50-mile trip to see a cathedral."

The difficulties arose not only from cultural differences but also from conceptual confusions. Fervent discussions were held over the concepts of profits, credit, capital employed and cash flow before any agreement could be sorted out. But King says that through a mixture of Clearmark's determination and Neringa's enthusiasm these difficulties were overcome.

It was agreed that the new venture, called Wembley-Neringa, was to be run by a board of six: three from each side. The board would meet four times a year alternating between Lithuania and the UK. The joint venture planned to manufacture 2m footballs in 1990, half of which would be sold within the Soviet Union, the rest in Western markets to bring in hard currency earnings for both partners. Profits would be divided equally.

Once the negotiations were complete, Clearmark drew up a critical path analysis listing everything needed to begin manufacturing. King says the company knew that it could not rely on obtaining what it wanted in Lithuania. "So we ensured that we took along everything and more to make certain that we did not get hung up on the availability of a Philips screw."

The equipment, which was being stored in Northampton, was shipped out at the end of October accompanied by a team of eight Clearmark employees. The plant was set up by the end of December and on January 4 the first football was inflated on the production line.

Nearly all the raw materials were sourced from within the Soviet Union – only the valves for the footballs were imported.

King accepts that it takes considerable effort to ensure the continuity of supplies. "They do not have a just-in-time mentality. You cannot pick up the phone and get your nuts and bolts through a normal distribution outlet as we would expect in the West. It takes more planning but that is one of the areas where our expertise comes into play."

Three Clearmark managers are currently stationed in Vilnius supervising the production process. One looks after the day shift; one covers the night shift; and the other helps supervise the marketing and distribution arrangements.

Sykes also spends about half his time at the plant dealing with any emergencies. But it is hoped that by the end of this year, the plant will be entirely self-managing and will need little day-to-day operational help from Clearmark.

For Clearmark, the joint venture represents an outlay of only about £250,000, but it has involved considerable expenditure in terms of time and effort. Although the company is sober about its immediate prospects, it insists that the venture makes hard-headed commercial sense. "We are at a very early stage and we shall develop this project on a long-term conservative basis. We want to develop the Wembley name in the Soviet Union and get a foothold in the market," King says.

But it is obvious when talking to Matulevicius that for him the venture represents far more than just a business proposition; it outlines a model for the future economic development of the region.

Western management theories and techniques are now gradually being infused into the new venture. Teams of Lithuanian workers have come to the UK to learn improved production practices. A rudimentary computer system has been installed to help sort out stock control and basic administrative tasks and Neringa's employees are being trained in its use.

Matulevicius has also shaken up the company's management, simplifying its structure and cutting the number. Previously there were 250 administrative staff; now there are 205 – about 20 have left and 30 have moved into manufacturing jobs.

His latent capitalist hormones now seem to be exerting their influence and he talks eagerly about expanding the enterprise by taking on new manufacturing projects. Neringa is trying to develop direct trading relationships with enterprises throughout the Soviet Union without recourse to the bureaucratic centre.

Matulevicius perhaps represents a new breed of businessman; a quick-witted, energetic economics graduate, he is eager to learn about Western management techniques.

But he realises that the development of enterprises such as Neringa will owe much to the general political and economic development in Lithuania, a process in which he plays a not inconsiderable part.

But despite the current dispute over Lithuania's secession from the Soviet Union, Matulevicius believes that trading ties will be maintained. "The economy of the republics is integrated and it would not be sensible to break these links," he says.

No concessions on quality control in Shanghai

Troublesome cracks have appeared in most foreign joint ventures in China during the past year. Pilkington's glass-making project has been the exception; it has floated smoothly to maximum production and full order books.

The project had an unstable start; sited on the banks of the Huangpu River in the Pudong district of Shanghai, the complicated plant and furnace structure kept sinking into the mud. Nevertheless, production started only three months late in December 1987.

By March 1989 the target output of 5,000 tons a week of float glass of the highest quality was reached together with a full export order book. An estimated $30m of foreign exchange income was generated in 1989. "This means we can repay about Yuan 80m of loans and keep a small foreign exchange surplus," says Zhang San Fu, the acting general manager.

The float glass plant is a joint venture between four parties: Pilkington of the UK and Austrian-based United Development Industry; the Bank of China; the Shanghai Yaohua General Glass Plant; and the State General Company of Building Materials. The Pilkington-UDI investment was Renminbi 41.3m (£5.4m) in sterling, representing a 25 per cent stake. The Bank of China's investment was in US dollars, the other two stakes in local renminbi.

Soon after the factory got into full swing China introduced its swingeing economic austerity programme to try to secure a rapid cooling down of demand and to curb spiralling inflation. The effects were dramatic for both domestic and joint venture industries. Construction work halted all over China; all the joint venture car manufacturers, including GM, Peugeot and Volkswagen, halted production temporarily at different times as demand collapsed and stocks of unsold cars mounted up.

"We were affected very badly in the domestic side of our markets as we supplied laminated glass for windscreens to Peugeot, Volkswaken and Beijing Jeep and large amounts of glass to housing, office and hotel projects. We had to change quickly," says Zhang, pointing to a production line which used to make glass for Volkswaken-Shanghai but, because the car production line had halted, was making a different type and thickness of glass for Japanese photocopying machines.

"In 1988 we made only 18,000 tonnes of glass for export – about 15 per cent of total production. When the austerity programme started towards the end of 1988 we concentrated hard on overseas sales, seeing the domestic problems which would arise. More than 50 per cent of production is now exported."

Switching product and markets was easier than dealing with another aspect of the austerity programme: the credit squeeze. The Bank of China raised substantially the interest rate on its loan, only to modify it because it was one of the joint venture partners. Similarly the Construction Bank more than doubled its original interest rate, though the venture's management is taking a stand normal for western managements but uncharacteristic for the Chinese. "We are resisting. They must stick to what was negotiated. This sort of thing seriously affects our reinvestment plans and our financial projections. As a result of the financial situation the directors proposed no dividend for 1989 but the directors do want to make a dividend payment in 1990," says Zhang.

The key to the project's success has been insistence from the outset on management by management and rigorous quality control, an alien concept to most Chinese factories and their workforces. No concessions were made for the domestic market; if it wanted the highest quality glass it had to pay a high price.

The glass had to be at least the same quality as that produced by Pilkington's British plant at St. Helen's, in Lancashire. Glass with the smallest flaw is scrapped and workers have been forced to take responsibility for ensuring that their own part of the production chain operates at the highest efficiency. "This is a newer and therefore more modern plant than Pilkingtons in the UK. So we must do at least as well as them. We monitor individual and management performance. There is a bonus system to reward workers for extra work and for high quality standards. We have very strict discipline. If it is violated the worker is either punished or sacked," says Zhang.

More than 100 people were sent to St. Helens for training and in the beginning there were more than 60 Pilkington's people on site in China. "By last April there was only Briton left – the general manager – and he has now returned to England," says Zhang.

The venture has direct competition from Guandong Float Glass Company, a joint venture with PPG Industries of the US, which is based in the special economic zone of Shenzhen, just across the border from Hong Kong.

"Luckily, our quality and range of glass has been better than our competitors so far and we have to try to maintain that. We are also thinking of moving into glass processing to make mirrors and other such products. We have to keep ahead because soon there will be much more competition. Indonesia, Thailand and Korea could all be serious competitors. We are on top. We must stay there," says Zhang.

Robin Pauley

TECHNOLOGY

Peter Knight reports on the efforts of chemical companies to develop biodegradable materials with the durability of plastic

A package deal for consumer products

Next time you want to be objectionable, try this. Buy a magazine from a newsagent and if the salesperson slips it into a plastic bag, reject the bag on environmental grounds. You may be told you have no choice. Then be prepared for a lecture on security procedures in the retail sector.

More enlightened retailers are becoming aware of the growing consumer resistance to overpacking and are cutting down on unnecessary plastics. "It's quite clear that consumers are now almost more aware of the packaging than the product," says John Elkington, environment consultant and co-author of the Green Consumers' Guide.

Safeway, the supermarket chain, has introduced recycling bins for its shopping bags. Other chains charge for the bags to encourage re-use. Some organisations, such as the UK's National Trust, distribute magazines to members in plastic post bags labelled "biodegradable".

Packagers are under pressure on two fronts. First from consumers who are beginning to resist goods they view as over-packaged. Second, legislation forcing a change in the way many products are packed. The laws are in response to litter problems, diminishing landfill sites and the high cost and possible dangers of domestic waste incineration.

Some European countries and US states have passed laws that control the types of products, especially plastics, used in packaging. The Italians will ban some plastic bags by next year. The Danes are thinking of banning all plastic packaging and already insist that beer be sold in returnable containers.

The EC is pushing through European-wide directives which will have far-reaching effects on packaging. For example, the wording of the 1985 directive on beverage containers is being strengthened to get more cans and bottles recycled. The new draft will be put to the environment council in June, and businesses expect tough targets. The EC may insist that up to 70 per cent of the containers be recycled – either burned as energy or to make similar plastic products.

The UK Government has called on local authorities to recycle half of all its recyclable waste by the end of the century. Plastics account for nearly 40 per cent of the packaging used in the UK. In the US plastics make up to a third of the volume of waste dumped. Most plastics can remain in the environment for four centuries.

The solution to the problem of domestic plastic waste is unclear. Environmentalists first argued for the use of degradable plastics that would rot in landfills. But they soon discovered technical problems with this solution and now champion recycling, although experts warn that this too could be dangerous.

Industry, especially the food sector, is confused because decisions on packaging are fundamental to the presentation, transport and shelf-life of its products. "The pace of change has been so fast it's caught us on the hop," says David Bonney, general manager in charge of biscuit marketing at United Biscuits.

His company used to wrap its biscuits in paper. About 15 years ago it changed to polythene. Now it uses aluminium coated plastic, a material which is not easily recyclable or re-usable. "There is a certain ambivalence among consumers. They want convenience foods but they also want the product to be environment friendly," says Bonney.

Part of the reason for this ambivalence is confusion about plastics and the multitude of materials lumped under the tag. Thermoplastics, which include a number of packaging plastics (see diagram), have become part of our way of life because of their light and long-lasting properties.

Although thermoplastics are recyclable, packaging is often made from a mixture of several types. This makes recycling difficult and often impractical. A bottle made from polyethylene terephthalate (PET), for example, is inexpensive to make and so light in weight that it is cheaper to transport than, say, an equivalent glass bottle. Like glass, PET can be recycled as long as a collection system is set up.

The industry argues that the recycling of most domestic plastic waste is uneconomic because the cost of raw materials is much lower than recycled stock. Supermarkets such as Tesco and the Co-op in the UK have begun labelling different types of plastics to help customers identify the materials for recycling. In France, for example, PET mineral water bottles are collected in bottle banks. Similar schemes have just begun in some parts of the UK.

But the amount of domestic plastic recycled in the EC is minimal. "It is not economically viable to recycle the plastics you find in your rubbish bin," says Colin Williamson of the Cookson Group. His company recycles plastics collected from industry, such as car-battery containers, to make objects such as water tanks.

A logical, but as yet unrealistic, alternative to the everlasting properties of plastic waste is to use an equivalent that is designed to rot. Most plastic is made mainly from oil. Hydrocarbon molecules, called polymers, are repeated in chains that are too long for microbes to break down. These chains give plastic its unique qualities and make it ideal for packing sensitive products, such as pharmaceuticals and foods.

In the 1970s researchers produced semi-degradable plastics by introducing starch at regular intervals in the polymer chain. When buried, micro-organisms feed on the starch and the plastic disintegrates into smaller pieces. This sort of plastic, often used as shopping, post and rubbish bags, is more correctly termed bio-destructible. It is not fully biodegradable because it fails to break down entirely into carbon and water.

Bio-destructible plastics take much longer to break down if left as litter. One of the solutions to this problem is to make the polymer chains sensitive to ultra-violet light. Photo-sensitive plastic breaks down into smaller pieces if left in sunlight but the process will not work effectively if the product is buried. These plastics are up to 15 per cent more expensive than the conventional equivalents but are favoured by some companies to trumpet their environmental sensitivities.

Friends of the Earth, the environment lobby group, says bio-destructible plastics can cause problems such as ground-water pollution and unwanted gas generation. The group's US counterpart has joined with five other environmental organisations in calling for a nationwide boycott of all degradable plastics.

This attitude suits those in the plastics recycling business. Williamson says bio-destructible plastics pose a threat to his business because their accidental inclusion in the recycling process could ruin the quality of his product. "Sheeting sold to a builder for damp roofing could run into holes in a few years if there is starch in the plastic," he warns.

But chemical companies are working hard to produce fully biodegradable packaging that retains the characteristics of plastic. ICI of the UK hopes to introduce such a product within the next two to five years. It is based on a material formed by bacterial action and will be decomposed by natural enzymes in soil.

Warner-Lambert, the US healthcare company, says it has produced a biodegradable plastic from starch. The material, called Novon, has many of the characteristics of petroleum-based plastics and could be used for disposable cups and plates now made from polystyrene.

In Vienna, Biologische Verpackungssysteme produces a starch-based packing material suitable for salvers, trays, cups, dishes, boxes and egg-boxes. It is claimed to be fully biodegradable. Similar products are available from a number of companies working in this field.

Batelle, the international technology consultancy, says its Frankfurt laboratory has produced a starch-based biodegradable material suitable for transparent "blister-packs" used to package a wide range of consumer goods including batteries and toys. It will degrade into carbon dioxide and water when it comes into prolonged contact with water or moist soil.

Meanwhile Batelle is also seeking patents for plastics made from vegetable oils. The oil's fatty acids are linked to produce plastic-type polymers. This plastic should, it says, pose no threat to the environment and by-products could be used to reduce fertiliser consumption on farms. The price will be similar to current petroleum-based plastics.

Dr Rainer Frische of Batelle says fully-biodegradable plastics will find a sizable market, and that industry and agriculture will be the first to benefit. But he warns against the recycling of domestic plastic. "It is dangerous to recycle these plastics because they can absorb hazardous substances and these will be a danger to people working the machines."

Frische recommends recycling industrial plastics where the contents are known, using biodegradable plastics in suitable areas and incinerating domestic waste at high temperatures. He also sees scope for hydro-cracking or pyrolysis – using extremely high temperatures to reduce plastics to their raw materials.

Another solution could come from the Japanese. They are developing an edible plastic designed to coat food and then be cooked with it.

Common recyclable packaging plastics

Vickers drives off with Cosworth

Two big names in automotive engineering came closer together yesterday when Vickers, the parent company of Rolls-Royce Motors, the luxury car maker, bought Cosworth Engineering, the high-performance engine consultancy and manufacturer, from Carlton Communications, the digital processing and engineering company.

Cosworth is a high octane company in the world of internal combustion engines. Its engines power half the Formula One grand prix racing cars – a Cosworth powered Tyrrell Ford came second in the recent US grand prix.

Ford has sought to exploit this racing pedigree with its use of Cosworth engines in the Ford Sierra. Cosworth technology has also been called on by Mercedes Benz and Opel, the German part of General Motors. Other car manufacturers, including Jaguar, have used Cosworth to make specialised parts of engines, such as precision castings.

So why did Vickers buy Cosworth? Mike Dunn, director of engineering at Rolls-Royce (which also owns Bentley) and the chairman designate of Cosworth, said yesterday: "It does not mean that you are going to see a fleet of Bentley-Cosworth cars. The purchase was not designed to fill any gaps in Rolls-Royce capability. Cosworth is to operate as a separate core business within Vickers."

Richard Bulman, managing director of Cosworth, said the company combines the design and manufacture of high-performance engines using an alloy casting process and an in-house designed machining capability.

The casting process enables Cosworth to make low-pressure, high-precision castings using sand impregnated with zircon. "The accuracy of the cast dimensions saves machining time and produces castings with greater integrity than conventional casting processes, which eliminates weakness and porosity in the casting," says Bulman.

Bringing Cosworth under the ownership of Vickers gives the engine company the opportunity to seek business with any car manufacturer, since it will not be tied to a single company. The connection with Vickers also gives Cosworth "a much bigger world market to go for," Bulman said.

Specialised companies designing internal combustion engines face increasingly contradictory requirements, including designing high-performance engines while governments are seeking tighter control of exhaust emissions and higher fuel efficiency.

Dunn said: "If you have a genuine high-performance engine you should also have efficient combustion and low emissions, but everything about the engine has to be right. If everything is not, such as a high temperature peak in the engine cycle, this can increase the emission of nitrogen oxides. There is no let out for high performance engines from meeting emission and fuel efficiency standards."

Cosworth has competition from other specialist internal combustion engine designers and manufacturers, including Ricardo Engineering of Shoreham by Sea, Sussex, which is making extensive use of computer techniques such as computational fluid dynamics to design engines. Brian Randall of Ricardo said that a prime concern in engine design is the need for alternative fuels to cut emissions. In ideal engine combustion, all of a hydrocarbon fuel would be converted to water and carbon dioxide.

Engine companies are also searching for ways of making engines more "driveable". This means making sure the engine is able to offer a smooth, continuously increasing power output as the engine revolutions increase. The search for driveability involves studying variations in the combustion cycles and assessing the degree of variability.

Rolls-Royce aims to produce cars and engines that last for 50 years, according to Dunn. Cosworth, on the other hand, is producing some grand prix racing engines that may last only 50 hours.

But these requirements may not be as conflicting as they appear. Rolls-Royce is already making use of the Cosworth casting and machine tool techniques, material developments and engine breathing technology.

Lynton McLain

TELEVISION

Here is the news: now for the interpretation

In 1975 John Birt published an article which asked "Can television news break the understanding barrier?" That was followed by a series of articles jointly written by John Birt and Peter Jay who were then both working for London Weekend Television, Jay as presenter of *Weekend World* (produced by Birt from 1972 to 74) and Birt as head of current affairs. Their articles argued that in television journalism, pictures of vivid events took pride of place over analysis of broader economic, social, and political matters. There was, they said, a "bias against understanding" in television journalism. The whole philosophy came to be known as the "Birt/Jay thesis."

Birt and Jay asserted that television journalism took as its models the newsroom of a provincial newspaper, and the documentary film unit. Generalists selected and reported news items, and all-purpose current affairs directors made programmes, according to short term considerations of what seemed most dramatic. The viewer's appetite for action and human interest was served day by day, but the underlying hunger for an understanding of longer term movements, and of *why* things happened in the way they did, was ignored.

Birt and Jay proposed a revolution. The staple of television journalism should be "intelligent news analysis." News and current affairs departments should be merged so that "a coherent structure of programmes can be designed to handle systematically the events and issues of the day, of the week, and of the month." The flagship programme would be an hour-long nightly news programme at about 10.00 pm. Its task would be:

"To supplement a brief news bulletin with a treatment of the four to six main events and issues of the day at about four or five times the length now given to the typical news item. All the programmes would be informed by an over-riding editorial principle that explaining the background and context of events is at least as valid and necessary a part of reporting as relating and filming the latest incidents. These programmes, though independently edited, should be serviced at the discretion of the programme editors by a central pool of reporters and specialists."

Fifteen years later, what do we find? John Birt is Deputy Director-General of the BBC where he has had special responsibility for all its journalism. In response to his ideas the organisation is recruiting a big staff of specialist journalists. Peter Jay is one of them: as Economics Editor he now turns up regularly on BBC news offering analysis and explanation *of what is going on*. The BBC's news and current affairs departments which competed with (and disliked) one another for so many years have been merged into one huge body which will soon be housed in a single building.

Birt is overseeing a five-year plan which began in 1988 involving a 282m increase in expenditure on BBC journalism. New weekly analytical programmes on politics and social affairs – *On The Record* and *Public Eye* – have been launched to join the existing *Money Programme*. Later this year, if the timetable is maintained, they will be joined by a new weekly foreign affairs series. In other words the Birt/Jay thesis has been adopted lock stock and barrel by the BBC, and its onlie begetters now sit at the very centre of the revolutionised system.

And what about the central concern, that flagship evening news programme with its bias against understanding which led to the development of the thesis in the first place? Despite Birt's powerful position it has been neither moved to 10 o'clock nor extended to an hour, but that is not entirely surprising. The schedulers of BBC1 have always argued that placing the news at 9.00 creates a neat and suitable watershed between family viewing (whatever that may be) and more adult material (whatever that . . .). Moreover, starting the "adult" period at 9.30 gives you a useful 90 minutes or so before everyone starts going to bed. Switch to

'The more analysis you include, the more news items you have to exclude'

an hour-long news starting at 10.00 and ending at 11.00 and you destroy that neat arrangement – and also find yourself competing head on with ITN's *News At 10*.

In other respects, however, the Birt/Jay thesis is clearly having a profound effect upon the *Nine O'Clock News*, and I for one do not like it. This is annoying since, in the broadest terms, the thesis has always seemed to me pretty sensible. It *is* obscurantist to say that television is inherently inferior as a medium for journalism (whatever Sir Robin Day may think); it must depend upon how you organise it. And it obviously *is* true that there is no such thing as a wholly "objective" news programme: all selection and editing involves subjective decisions. You can make no stronger comment on the comparative significance of matters than by including or excluding them from the news agenda, so the old purist concern about injecting "comment" into the news is mainly a red herring.

My argument with Birt and Jay is not about whether television should be providing more analysis and explanation – adding more how and why to the what and where – but about precisely how you should do it, and whether you should do it at all on the *Nine O'Clock News*. The trouble is that this programme is, by broadcasting's youthful standards, an ancient institution and 30 minutes is not much time in which to describe the significant differences between the world yesterday and the world today. The more analysis you include, the more news items you have to exclude.

There always was a suspicious tinge of condescension to the Birt/Jay thesis ("We clever types will now explain to all you oiks not just what has happened but why") and experience is suggesting that if you *apply it to the Nine O'Clock News* you may end up with something that sounds perilously like a WEA lecture, or a series of Janet and John lessons. Birt/Jay defenders would respond that BBC news has done remarkably well in the last year or so, pulling back the ratings and overtaking ITN. But it would be unwise to assume that that is a consequence of the new approach. It is just as likely to result from changes in what the opposition is scheduling against the news at 9 o'clock, and from the crisis factor: the way in which more people turn temporarily to the BBC (as to *The Times*) whenever world events take a dramatic turn.

At a time when government policy is ensuring that the public service element in broadcasting is reduced it is right for the BBC to be improving its ability to fulfil its traditional central responsibilities, particularly in journalism. It is right, too, that the viewer should be able to find more expert analysis, explanation, context, and perspective. But that should not mean devoting the first 11 minutes of the *Nine O'Clock News* to a British by-election (unlikely in the long run to be any more significant than Orpington or Hillhead) before even glancing at the rest of the world.

Peter Jay himself is, unhappily, someone whose analytical style looked all right on *Weekend World* but sits extremely awkwardly on the *Nine O'Clock News*. Nor is it just a question of style. On 15 March, five days before the Budget, he told us on the *News* that in one stroke the Chancellor had to put new heart into his worried supporters and knock inflation on the head "and that can only mean higher taxes or perhaps another 1 per cent on interest rates." The *Nine O'Clock News* seems the last place for opinions of that sort.

What the Birt/Jay thesis ignores is that different people bring to their viewing of the news different levels of expertise. If your main evening news programme approaches every complicated story as though it were catering for simple minded teenagers, it may retain a core of faithful viewers, but it will eventually irritate and drive away its more intelligent audience. Moreover it will add one more item to the arsenal of evidence already hoarded by that powerful band of opinion formers who have always insisted that television is an idiot's lantern, making it that much more difficult for television to take its rightful place in the pantheon of serious journalism.

Why not keep the *Nine O'Clock News* for a fairly stark but extensive listing of the day's events, nationally and internationally, and provide lashings of interpretation and analysis elsewhere, in current affairs programmes, for those who want it?

Christopher Dunkley

The Pirates of Penzance

PALLADIUM

The readership of *The Financial Times* has, of course, a considerable overlap with the membership of the Bonnie Langford Fan Club. Without *Just William* and her immortal utterance of "I'll thkweam and thkweam and thkweam until I'm thick," Sunday teatime has just never been the same. It is her sheer ickiness that has us gobsmacked. We know she'll carry on grinning for us even when it pains her (it always seems to). She is a squeak and a grin and a pain: ickiness as an art form.

And yet it's ickiness with zip and with technique. She combines the vitality of a hyperactive child with the accomplishment of a seasoned musical performer. On she comes as Mabel in *The Pirates of Penzance*, with a trapeze cadenza that carries her way above the stave – and we know, damn it, that she has a far more fully-trained voice than anyone else on stage.

Though later on it's not always clear which high notes she's going to hit, she doesn't fake – she's there to *sing for* you. She can trill, she can shape melody, and she can control vibratto and chest register. And she can stand still and make that effective too. Really she's still an unformed infant phenomenon whose vocalism and diction keep switching from one style to another, but she's always absolutely prepared, absolutely focused, and she's there for *you*.

This is what they call "the Broadway Version" of *Pirates of Penzance*, directed by Peter Walker along the lines of Joseph Papp's 1980 New York hit staging, the subsequent film version, and the 1982 Drury Lane staging here. The current production is relatively undercast. Paul Nicholas uses a huge smile, blond charm, game performing and, reportedly, special coaching in swashbuckling by Douglas Fairbanks Jr, to help him surmount the obstacle that he lacks the braggadoccio naughtiness to be a Pirate King. His singing, the most heavily miked of all, is neither good nor bad. It's simply of no account.

And for virile panache he's outclassed by David Ian as Frederick, who has Langford's exuberance and whose singing – by Lloyd Weber standards – is sturdy and vivid. His Elvis-Pelvis cadenza (the girls all scream like Beatles fans) to "Is There Not One Maiden Breast" is a special event. Frank Thornton applies his doleful suavety to the Major General; and Simon Browne – like a camp Bill Oddie on speed – is the frenetic Police Sergeant.

Alastair Muir

Paul Nicholas and Bonnie Langford

Gilbert and Sullivan are indestructible. D'Oyle Carte starts its next tour, with a more traditional *Pirates* in repertory, next month. But there are people for whom the Broadway kind of *Pirates* is now the only kind. Since the show is so strong, who can blame them? Everything about the staging says "Don't Believe This" – and yet G&S were already saying that. The best humour in this *Pirates* is still theirs, and this production is most fun when it's bringing that out – as in the smash-blast account of "With Cat-Like Tread." Or when it catches some of Sullivan's large-spirited glory as well as Gilbert's satire, as in the "Tarantara" ensemble.

You leave the theatre still singing the tunes, laughing at the jokes, chortling about the dance routines and looking forward to the next new show this composer-lyricist team will bring out . . .

Alastair Macaulay

La Traviata

SADLER'S WELLS

London City Ballet has arrived in Rosebery Avenue for a week's season with, as its its first offering, André Prokovsky's version of *La Traviata*. I reported on its première last autumn without much enthusiasm, and in spite of some amendment to the staging I can summon up no greater pleasure in this event. Rather did I find it even more wilful in seeking to do what ballet is singularly unable to achieve: extended and literal historic narrative. The physical timescale of the piece is wrong: what dance might tell succinctly, poetically in a duet – shades of *Marguerite and Armand* – is here interminably explored in dullest and most static recitative. By means of short-breathed scenes, black-outs, much to-ing and fro-ing of unconvincing characters, the tale is told in wearisome and uncompelling detail. Prokovsky needs to cut the cackle and get to the 'osses of the dance.

Balanchine declared that there were no mothers-in-law in ballet, but the choreography is determined to show us niceties of relationship within the Duval family. (Balanchine also declared that every note of Verdi was danceable: this production is proof to the contrary.) Nor is ballet an art of conversation – save in the old Italianate mime tradition of Odette's semaphoring her plight to Siegfried in *Swan Lake*. Yet Prokovsky's characters are forever shaking their heads, opening their hands to each other in expostulation, a dumb-show as unconvincing as it is inexplicable. A sense of period, so vital to our understanding of the doomed love affair, is wholly lacking: the demi-monde of Paris in the 1840s was never like this, in dress or behaviour, and the vulgarities of the dance – including an obscene cabaret turn of Leda and the Swan – defeat comprehension.

This *Traviata* is in no way a serious ballet, and that is a pity, because on Monday night it contained two serious performances, from Kim Miller and Edwin Mota as the lovers. (The rest of the cast romp with various degrees of coarseness.) Miss Miller, once a ludicrous first scene replete with peasant washerwomen, rape and gold coins is out of the way, dances with a warmth and a freedom that almost persuade us that she is dealing with choreography rather than platitudes. Mr Mota is all soaring ardour and expansive technique: amid the mumming of his companions, he looks like artist whose interpretation is based in some form of reality. For the rest, I note that everyone in the cast works hard, but theirs is a Sisyphean task.

Clement Crisp

Avant-garde in Adelaide

Among the riches of the Adelaide Festival, the visitor has to choose, and the choice is not easy: a wealth of fringe events, cabaret acts, musical performances ranging from ancient instruments to the extreme avant-garde.

In this last category, the American-based Kronos Quartet can be considered one of the festival's huge successes. Familiar from previous years, the Kronos have become local idols, and even when they perform in the capacious and handsomely-restored Town Hall, tickets are at a premium. Once you hear them – even if you are not a fanatical devotee of Steve Reich or Terry Riley – you can understand the enthusiasm they arouse and you find yourself sharing it. First of all, there is their breath-taking technique; not only is the intonation celestially perfect, but the ensemble is uncannily precise. Moreover, there is their special, perhaps unique blend of intense, diabolical seriousness and their wonderful Buster Keaton, deadpan humour. So when they play a work like John Zorn's Cat O' Nine Tails (1988), subtitled "Tex Avery directs the Marquis de Sade," the studied perfection of their performance makes the references to old movie cartoon soundtracks all the more hilarious and moving.

Among the unfamiliar works performed in Adelaide was the tender, often lyrical 1987 work "Hunting/Gathering" by the South African Kevin Volans, a series of often-brief lyrical moments, which the Kronos conveyed with conviction but without sentimentality. Similarly, the String Quartet no.11 by the Australian Peter Sculthorpe, a world première, drew its inspiration from natural, perhaps animal sounds, but fused and dramatised them into a coherent, flowing, thought-provoking piece. After these more conventionally scored works, Steve Reich's "Different Trains" (from 1988), for taped instruments, taped voice, and the on-stage Kronos paradoxically seemed old-fashioned. The encores – Kronos versions of pieces by Jimi Hendrix and Bo Diddley – brought a different, and more affecting nostalgia into the hall.

Like most other countries, Australia is leading a difficult operatic life: familiar funding problems, hostility towards the importation of foreign singers (hence little Wagner and, for lack of a true lirico spinto, not enough Verdi). Another problem apparently is the problem arising from the difference between the size of the Sydney Opera stage (uncomfortably small) and the larger stages of the country's other houses; thus exchanges are not always practical. Still, the Sydney production of *Tristan and Isolde*, seen in the capacious Adelaide Festival Theatre, worked fairly well. Brian Thomson's extremely simple unit set – white draperies from which a plexiglass jetty extended into some shallow water – proved eminently adaptable and, thanks to the imaginative lighting by Rory Dempster, did not look cramped or drab.

The Sydney Symphony played well, conducted with sometimes excessive restraint by Stuart Challender (there were moments when more accentuated phrasing would have been welcome). Challender's interpretation may have been influenced by the less-than heroic voices at his disposal. William Johns turned in a largely acceptable interpretation, but there was never a really exciting moment. The Isolde, Australia's Marilyn Richardson, also seemed restrained during the first two acts, but for the last, she opened up, and infused a new level of drama and passion into what had been a merely honest reading. Malcolm Donnelly was a bluff, Kurwenal, once or twice hampered by the otherwise unobtrusive staging of Neil Armfield. Donald Shanks, as Marke, sounded elderly but without much authority.

In the cabaret department, a word of praise must gratefully be given to Richard Rodney Bennett, who has a wide-ranging repertory and a relaxed, engaging way with a song. Hélène Delavaux ranged from Satie to Weill, from Apollinaire to Auden-Britten with delightful insouciance.

William Weaver

Roman Trekel

WIGMORE HALL

Just as a teacher depends on successful pupils to win a reputation, so a singing competition must have successful winners. With Olaf Baer as the prize winner of its opening year, the City of London Walther Gruner International Lieder Competition could hardly go wrong. This was the fourth time it has been held and, perhaps by coincidence, it has found another East German winner in Roman Trekel.

The programme at the Wigmore Hall on Monday night was the baritone's prize-winning London recital. Still in his twenties, he has a reasonably firm technique, with a bright and well-placed core to the voice. He knows how to conserve his energies and will surely learn the way to vary the colours more as his experience grows, for this is the kind of instrument that responds without problems to imaginative handling.

As yet the singer's ideas on interpretation do not go much further than doing nothing wrong. At least when the first flickers of individual thinking did occur, they were going in the right direction. The climactic line of Schubert's "Der Doppelgänger" was taken in one breath, a brave decision, well dispatched; and Wolf's "Auf einer Wanderung" essayed a venture into some really soft singing that was welcome, even if the focus was momentarily lost.

After the interval confidence gained apace and spontaneity with it. We had a decent group of Brahms songs and a more challenging selection of Strauss, helped by the imaginative, if sometimes slightly eccentric accompaniments of Werner Schieke. With "Sehnsucht", an unfairly neglected song, Trekel at last let himself go and, though he risked losing vocal control, the result was a flamboyance and passion that had previously seemed beyond his reach. Most of the right qualities are in place for a fine Lieder singer to emerge in the future, if he continues as solidly as he has begun.

Richard Fairman

ARTS GUIDE

March 23-29

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Tom Conti has taken over from Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs. (437 2663).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

The Sound of Music (New York State). The New York City Opera performs the Trapp Family saga starring Debby Boone as Maria and Laurence Guittard as Captain von Trapp. Ends April 22.

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Gypsy (St James). This 30th anniversary production does more than revive a rich, vivid musical; it also introduces a new belter in the Merman tradition, Tyne Daly, as the bossy, tireless and tuneful Rose, who shamelessly leads her daughter into burlesque while rejecting a personal life for herself (246 0102).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives crisscrossing in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Starlight Express (Eisenhower). Betty Buckley stars in a new musical compendium featuring the music of Glenn Miller, Duke Ellington, Hoagy Carmichael among others. Ends March 25. (467 4600).

Chicago

'Tis Pity She's a Whore (Goodman). Jo Anne Akalaitis of the Mabou Mines troupe directs John Ford's classic about incest, set here in Italy of the 1930s and starring Lauren Tom as Annabella and Jesse Borrego as Giovanni. Ends April 7. (443 3800).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

I'm Not Rappaport (Briar St). Shelley Berman, one-time standup comic, now plays Nat, Herb Gardner's memorable Central Park character who gags his way through the *1986 Tony* Award winner (348 4000).

The Good Times are Killing Me (Body Politic). This City Lit production of Lynda Barry's first play captures an American childhood with poignant sadness (871 3000).

Tokyo

King Lear (Tokyo Globe Theatre). The Renaissance Theatre Company, led by Kenneth Branagh. (with Richard Briers cast surprisingly in the title role). (360 1151).

Hamlet (Ginza Hakuhinkan Theatre). Yuri Lyubimov's controversial production was originally seen in Britain and has since been on a world tour. The acting tends to be upstaged by the continuously moving curtain that dominates the set. (535 0555).

Hanshin (Theatre Apple, Shinjuku). Revival of the 1988 play by Hideki Noda, the darling of Japan's fringe. Wordplay, frenetic action and acrobatics form the basis of Noda's style, and can be enjoyed by those with only a minimum of Japanese. (5478 0771).

SALEROOM

Sales of musical instruments are always difficult to predict. Sotheby's did well yesterday bringing in £576,796, with 19 per cent unsold. The high bought in percentage was attributed to the top lot, a violin by Pietro Guarneri made in Mantua in 1685, estimated at around £150,000 but unsold at £65,000. A Far Eastern buyer paid £50,600 for an anonymous violin cello, good but of unknown provenance, and £28,600 for a Bavarian violincello of the Kloz School, made around 1780. Also going East is a French violin made by Nicolas Lupot in Paris around 1810, which was on its high estimate at £44,000.

Phillips in St Ives disposed of the contents of the Cockery Bindery, the hand made machines which were the presses for the Arts and Crafts movement at the end of the 19th century. There was keen bidding and the sale totalled £52,600. A printer paid £3,300, within estimate, for a cast iron Albion Printing Press of 1864, which will be displayed in its reception hall. Maggs, the book dealers, was a big buyer, and paid £2,530 for a French percussion press of Bertrand et Fils (estimate £700). Five hundred sheets of hand made Cockerell paper of 1973 sold for £594.

Antony Thorncroft

Japan Festival for UK

The biggest overseas festival ever to be held in the UK will take place next year. The Japan Festival will cost £12m to mount, with most of the money coming from Japanese companies and the Japanese Government.

The arts will feature prominently, with a *Japan in Perspective* exhibition at the V & A Museum, and other shows at the British Museum, the Science Museum and the Royal Academy. A Japanese version of *Jesus Christ Superstar* will tour the UK and Yukio Ninagawa, who has produced *Macbeth* and *Medea* at the National Theatre, will bring *Tango at the End of Winter* by Kunio Shimizu to London.

Booker Prize judges announced

The judges of the 1990 Booker Prize for fiction will be chaired by Sir Denis Forman, Deputy chairman fo the Granada Group. He will be joined by Susannah Clapp, Deputy Editor of the London Review of Books; Walton Litz, Professor of Literature at Princeton University; Hilary Mantel, award wining novelist and Kate Saunders, writer and journalist.

A shortlist of six titles will be chosen in September and the winner announced at a presentation dinner on October 16 at the Guildhall London, broadcast live on BBC television.

FINANCIAL TIMES

NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700

Wednesday March 28 1990

Gorbachev on the brink

ALL TOO many signs suggest that the irreparable is about to occur in Lithuania. The pledge not to use force has been qualified by Mr Gorbachev, who on Monday told Senator Edward Kennedy there would be no use of force "unless lives were threatened." As the Lithuanian president, Mr Vytautas Landsbergis, commented, that is a threat which the Soviet armed forces "could create very easily themselves." Indeed, the line has already been crossed, with the military occupation of premises belonging to the Lithuanian Communist Party and, especially, the forcible seizure of Lithuanian deserters from a psychiatric hospital.

The targets, so far, have been carefully chosen, so that the action can be presented as necessary for the preservation of pan-Soviet institutions – the Communist Party and the armed forces – rather than as a direct attack on the Lithuanian people and their representative institutions. Yet it looks either a piece of crude intimidation, or calculated to provoke a violent response, in the hope that subsequent bloodshed and loss of life would be blamed on the Lithuanians themselves. What could be more likely to produce ethnic violence than the dropping, from military helicopters, of leaflets urging people to join a rally outside parliament, organised by a pro-Moscow group composed mainly of Russians?

In the event, that rally was attended by fewer than 5,000 people and passed off peacefully. Most of the Russian population heeded Mr Landsbergis's plea to stay away; and the self-discipline of the Lithuanians in refraining from violence even under intense provocation has so far been extraordinary. It makes all the more insulting, and alarming, statements such as that of the Soviet ambassador to the European Community, who said yesterday that Soviet troops were in Lithuania to keep ethnic peace, and to avoid possible nationalist violence such as occurred in Azerbaijan.

Western help

Mr Landsbergis yesterday appealed to "the West" for help, asking rhetorically whether it was "once again willing to sell Lithuania to the Soviet Union." That is unfair, unless in Lithuanian minds "the West" includes Nazi Germany. Neither the US nor Britain has ever accepted the incorporation of Lithuania into the Soviet Union as legally valid. But Lithuania's geographical situation makes it quite unrealistic to expect Western military support, and it is unlikely that Mr Landsbergis had that in mind.

Formal recognition

Nor, so far, has he requested formal diplomatic recognition for his government. If he did, it is unlikely as things stand that many Western countries could comply. British doctrine (like French) is now that states rather than governments receive recognition. Is Lithuania a state? Clearly the majority of its people want it to be one, but equally clearly they do not as yet control the essential levers of state power, foremost amongst which is the monopoly of armed force. It is also questionable whether recognition, if unaccompanied by practical help, would not simply provide an additional pretext for Soviet military action.

The only effective help the West can offer is somehow to dissuade Moscow from moving further down that path. If that can be done, it is not by threatening specific sanctions but by reminding Mr Gorbachev and his colleagues what is really at stake. A "Tiananmen" solution in Vilnius would not directly threaten world peace, but it would destroy at a stroke the whole new climate of East-West relations which Mr Gorbachev has striven so hard and sacrificed so much to create.

Arms control agreements are the result of that climate much more than the cause. The cause is the new atmosphere of freedom in the Soviet Union and eastern Europe, which makes possible a relationship of mutual trust between them and other free societies. If "order" is reimposed in Vilnius by Soviet tanks all that will have gone. It would be a great tragedy for the world, but most especially for the Soviet Union.

It should not come to that. The negotiations requested by the Lithuanian leadership offer a far better way of resolving the crisis.

A cautious move on vouchers

THE MOST welcome aspect of the British Government's training credit scheme for young school leavers is that it is being introduced on a pilot basis. There is to be no sudden change-over, no quick fix. Instead, employer-led Training and Enterprise Councils (TECs) are being invited to bid for contracts to run 10 pilot projects from next April; only about 10 per cent of 16 and 17 year old school leavers will be involved in the trials. Mr Michael Howard and Mr John MacGregor, the ministers responsible, yesterday pledged that all the schemes would be rigorously evaluated.

This is a suitably cautious approach to what might become a radical switch of emphasis. It contrasts starkly with the Government's strategy in other areas of social policy. For example, Mr Kenneth Clarke, the Health Secretary, has repeatedly ruled out pilot studies. He is attempting to implement radical and untested policies on a nationwide basis without any prior evaluation or experimentation.

Pilot studies have a twin advantage. If they fail, little harm is done; if they succeed, they generate the enthusiasm and confidence that is necessary if new policies are to gain widespread acceptance.

Under yesterday's training initiative, young people in the pilot schemes will receive credits with a face value of up to £1,500. The TECs will be responsible for ensuring that the vouchers are used for training which is relevant to the needs of employers and which meets approved quality standards. Young school-leavers will be able to use the credits either to purchase training provided by their employers or to pay for courses offered by specialist training providers. Mr Howard hopes the credits will "excite young people about the benefits of continuing in training and further education" and thus raise the quantity and quality of training provided in the UK.

Vocational training

In the past, the state has borne the tuition costs of post 16 academic education but required school-leavers (or employers) to finance most vocational training. This was palpably unfair and perhaps helps explains why Britain's vocational education record is so poor. The provision of training credits may help redress the balance. But their motivational force remains uncertain. Youngsters may regard the vouchers as something which they have to spend; on the other hand, in a labour market that is tight for demographic reasons, many school-leavers may ignore the credits and concentrate on securing full-time employment.

No precedent

As a means of boosting training, vouchers may thus prove disappointing. There is no international precedent for their use even in countries with strong apprenticeship and training records. For example, the very high level of training in West Germany is secured not by credits but by compulsion: everybody under the age of 18 is required to have at least one day a week off-the-job vocational education. Employers are required to release their employees. If training in the UK was already both compulsory and free, vouchers would look a much less attractive option.

The logic of vouchers is to shift power from the producers to the consumers of a service. In giving youngsters purchasing power, the Government is implicitly arguing that they should decide what kind of training is in their own interests. This is in many ways an attractive policy. But it runs counter to the strategy behind TECs, which is that employers or producers are the best arbiters of training needs. The tension is already evident in the Government's decision that the employer-dominated TECs should decide what counts as "relevant" training. At some point ministers may have to choose between a consumer- and a producer-led system.

Producer-led TECs were inspired by the Reagan Administration's Job Training Partnership Act, which introduced private industry councils (PICs). Recent studies, however, suggest that the record of PICs is no better than that of public-sector agencies. So the Government's decision to experiment with a consumer-led solution is timely.

Quentin Peel detects an air of unreality in Lithuania's conflict with Moscow

An ill-matched bout of shadow boxing

The border between the rebellious republic of Lithuania, hell-bent on recovering its independence from the Soviet Union, and the neighbouring Soviet republic of Belorussia, is virtually non-existent.

A heavy concrete slab which used to proclaim the "Lithuanian Soviet Socialist Republic" has been symbolically blanked out with white paint. It is not clear whether it was done by supporters or opponents of Lithuania's independent statehood.

All that is left to mark the spot is a picnic place for passing motorists. There is not a soldier in sight, nor anyone who might enforce either the unity or disintegration of the country. In the drowsy little villages nearby, the newspapers are still delivered by an old lady with a horse and cart.

The whole conflict between tiny Lithuania, with a population of 3.6m, tucked away in the top left hand corner of the Soviet empire, and mighty Moscow, has an air of unreality, if not surreality.

In the smart new parliament building in central Vilnius, all copper-tinted glass and yellow concrete, the restoration of Lithuanian statehood was resoundingly proclaimed on March 11. The parliament is in well-nigh permanent session, in an atmosphere of continual crisis.

In the cobbled and pot-holed streets of the ancient city, rendered squalid by 50 years of Soviet domination, virtually nothing has changed. If people are worried about Soviet intervention, their fear is of an economic blockade, not military takeover.

The conflict has been going on in the most unlikely places: in the Institute of Marxism-Leninism, seized by Communist Party loyalists and a handful of Soviet paratroopers last week; and in the psychiatric hospital, where a group of Lithuanian army deserters was roughly recaptured in the early hours of yesterday morning. When the Soviet army chose to send a great convoy of trucks, tanks and armoured cars through the city in a show of force, it did so at 3 am on Saturday morning, leaving most of the population blissfully ignorant. No targets directly relevant to the running of the republic have been touched.

It is as if the two contestants were hopelessly ill-matched fighters staging a rigged boxing match, neither intending to hit the other, with one huge muscle-bound heavyweight swinging wildly round the ring, while his featherweight opponent jumps up and down yelling insults to annoy him.

All Lithuania's real links with the outside world remain in Russian hands. Visitors come through Soviet borders and Soviet airports, with visas approved by Moscow (although a few extend their stay thanks to Lithuanian invitations, and may well have trouble leaving). All flights come in and out on Aeroflot, telephone calls go through the Moscow international system, the trains are kept running by Soviet railways, and settlement of accounts is done through Moscow.

President Mikhail Gorbachev's decree insisting that all central state enterprises be controlled directly from Moscow simply restated the reality. The money is Moscow's, and the centre still dictates its allocation.

The military role in the takeover of Communist Party buildings, including the central committee building itself yesterday, may simply have been intended to underline the powerlessness of the new Lithuanian leadership, Mr Vytautas Landsbergis, the new president, believes. It certainly has no direct effect on government. But it may undermine what claims the new administration has to international recognition.

Since January 1, Lithuania has supposedly been economically autonomous of Moscow, regardless of its claims to independence. Along with a similar regime in neighbouring Latvia and Estonia, the move is all part of Mr Gorbachev's attempts at decentralisation, and answering the clamour for greater sovereignty.

In reality, the move has meant "absolutely nothing," according to Mr Vladas Terlackas, an economics professor, and chairman of a working group under the Council of Ministers, drafting plans for a new currency and financial system. "If anything, there were negative changes," he says, "in the reaction on the part of Moscow to the developments here. They reinforced their control. A new system will only be introduced after negotiations with the centre."

Yet even then, he admits that Lithuania cannot hope to reduce its dependence on Moscow for a long time. "This proclamation of independence is only an expression of the people's will. Moscow knows that perfectly well. I don't understand why Moscow is so concerned."

Apart from almost total dependence on the rest of the Soviet Union for cheap oil and gas, Lithuanian factories are locked into a complex system of interdependence with enterprises across the country, using inputs and producing end products that may well be unsaleable on the world market.

However it is a two-way process, for at least 20 of Lithuania's 150 central state enterprises produce 100 per cent of the Soviet output of their particular products – such as auto-compressors, electricity meters, and the cardboard for Soviet matchboxes. They also produce a disproportionate quantity of consumer goods, like televisions and refrigerators, desperately needed to satisfy Soviet demand – and a considerable surplus of meat and dairy products, also in short supply in major Russian cities.

Not only that, but Lithuania is a major transit route and processing centre for Soviet oil exports, in return for getting its oil cheap. Neither side can afford an abrupt divorce.

For the new leadership of the republic, elected with an overwhelming majority at the local elections (the independence movement Sajudis has 99 seats, and the Lithuanian Communist Party, also committed to independence, another 25 out of 133 in the parliament), there are two economic challenges that complicate each other. One is to disentangle the economy from its excessive dependence on Moscow, and the other, to move from a centrally-planned economy to a market system. Very little detailed work has been done on either subject.

Lithuania cannot hope to pay for its imports from the Soviet Union in hard currency – as Moscow is already demanding – because it has no hard currency exports. The whole trade would have to remain barter trade, through a system of clearing accounts.

In the longer run, however, there is some hope for foreign investment, if only political stability can be offered. Mr Larry Summers, former economic adviser to Mr Michael Dukakis, brought in from Harvard University to give some heavyweight advice, believes there is genuine potential to exploit a skilled and ridiculously cheap labour force.

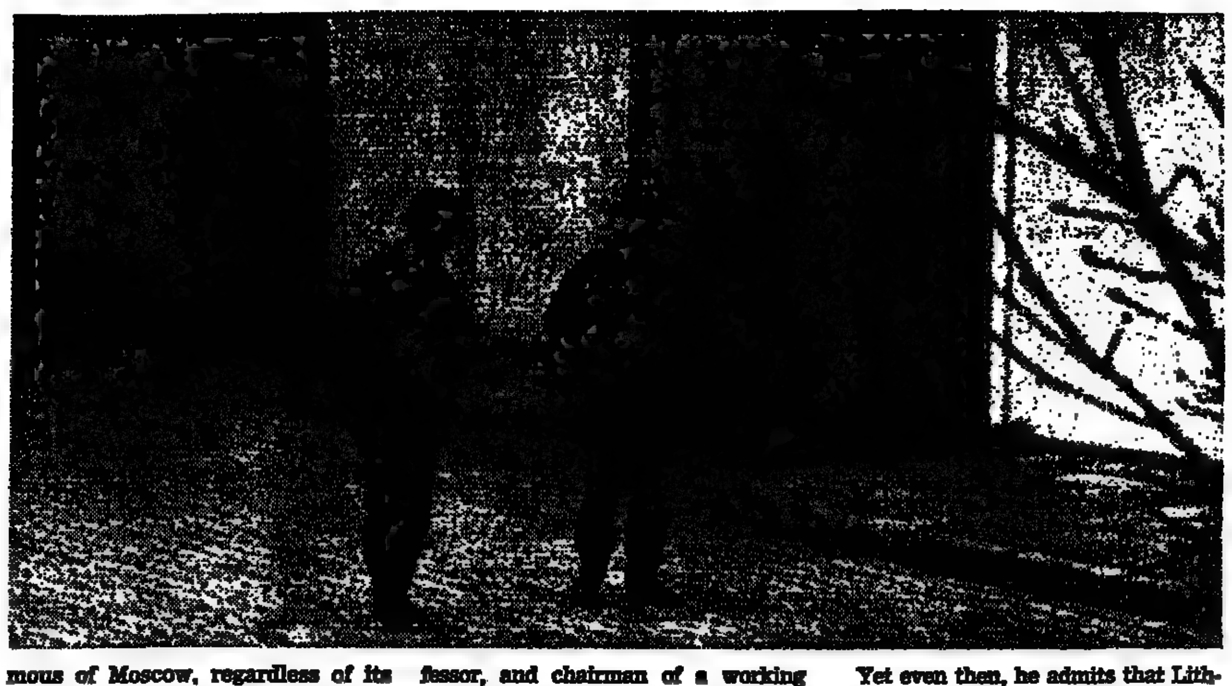
"Low cost assembly for foreign investment with a Western orientation is something they can move on very quickly," he says. "I'm helping explain how a market economy works."

For want of any clearer economic programme, the nationalist yearning for a separate currency seems to have moved to the top of the agenda. As it cannot be convertible until Lithuania builds up an export base, its only immediate purpose would seem to be to restrict the purchasing power of Soviet visitors, and prevent an outflow of food and goods in short supply.

The truth is that both the Lithuanians, and the Soviet side, seem to be motivated far more by knee-jerk nationalism than any sober assessment of the situation. Mr Gorbachev and his Ministers have talked nonsense about massive compensation for "union" investments in the republic, ignoring Lithuanian contributions to the national economy. And the Lithuanians are allowing themselves to be dragged into a sterile argument by demanding counter-compensation.

In the end, they are both locked in stalemate. Unless Mr Gorbachev is prepared to use military force to reimpose his authority, he is reduced to putting on token military manoeuvres. Yet Lithuania can do nothing without his willingness to negotiate, except demonstrate its overwhelming national desire for independence.

"Lithuania is helpless, and the Soviet Union is powerless," says Miss Stefanya Jaconis, a Western economist with Lithuanian ancestry working in Moscow. "Two minuses don't make a plus."



Tiptoeing through a minefield

THE PUBLIC face of President George Bush has been typically calm – almost detached – in response to the impasse in Lithuania. Behind the scenes, however, the President is using every ruse he knows to spell out to Moscow the cost of cracking down on the Baltic republic.

He has a huge stake in the way Mr Gorbachev handles the stand-off in Lithuania. One senior US official said: "The success of virtually everything we are pursuing is contingent on Gorbachev's success in managing this crisis and others coming up."

The present dilemma is how to mask this inter-dependence, how to persuade the Soviet leader that there would be a real price to pay if force were used against the Lithuanian secessionists. If Mr Gorbachev resorts to violence, his hopes of winning trade, economic, and arms control concessions from the West will be dashed.

The US Senate would almost certainly baulk at ratifying this year's planned strategic arms agreement, just as it refused to ratify the SALT II treaty after the 1979 Soviet invasion of Afghanistan.

Yet bringing pressure to bear is made more difficult for Washington because of Mr Bush's over-cautious response last summer to the Chinese government-ordered massacre of pro-democracy demonstrators in Tienanmen Square. Mr Bush is sensitive about public disapproval of his China policy – and has therefore ordered a more carefully calibrated rhetorical response to the Lithuania crisis.

It is long-standing US policy not to recognise the Soviet annexation in 1940 under the Hitler-Stalin pact of the three Baltic states of Lithuania, Latvia and Estonia. Yet at the same time, for fear of provoking the Soviets, the US has avoided outright recognition of the independence movements and the new Lithuanian government.

On the key question of force, the US has tried to draw a distinction between "forcibly suppressing peaceful dissent" and "maintaining order in the face of inter-ethnic rivalries." This appeared to draw a distinction between the Baltic independence movements and the ethnic unrest in Armenia and Azerbaijan. The problem, as is becoming clear, is that this policy does not address grey areas such as the Red Army seeking to commandeer Lithuanian deserters.

So far, Congress has been restrained. While the Senate last week passed a resolution condemning the Soviets for intimidating Lithuania and calling on Mr Gorbachev to set the Republic free, it avoided a motion to recognise the new Lithuanian government.

Aware that it needs to cover its conservative flank, the White House this week stepped up its rhetoric by issuing its first explicit warning that US-Soviet relations could be damaged by "further actions" by Moscow in Lithuania.

In practice, these public statements merely amplified private messages which have been conveyed continuously over the past week, both to Mr Yuri Dubinin, the Soviet ambassador in Washington and to Mr Eduard Shevardnadze, the Soviet foreign minister.

In the last resort, however, there is more than a trace of sympathy for Mr Gorbachev's dilemma – and a hint of irritation with the Lithuanians for being unwilling to strike a face-saving compromise. Privately, officials criticise Mr Vytautas Landsbergis, the Lithuanian president, as a poor negotiator.

Moreover, Mr Bush is a man who believes instinctively in "process," in orderly management of change. The Lithuanians drive for independence threatens to jolt this tidy view of international politics.

Lionel Barber

An Irish day of pride

■ Hollywood and the Oscars – Ireland could talk of little else yesterday. The reason was the success of My Left Foot, the Irish low budget film which took on the big boys and walked away from the Hollywood ceremonies with two Oscars.

My Left Foot is loosely based on the life of Christy Brown, a Dublin-born painter and writer who, chronically disabled, learned to do all his work with his left foot.

As news of the Irish triumph came through, the Irish Independent, the country's best-selling daily newspaper, put out a special Oscar edition. Charles Haughey, the Prime Minister, also currently starring as President of the European Council, was on the phone to Hollywood. "This reflects proudly on us all," said Haughey.

Daniel Day Lewis, half-Irish and son of the late British poet laureate, won best actor award for his portrayal of Christy. Brenda Fricker, who played Christy's mother, is the first Irish actress to win an Oscar. The question now is where to put it. "I've no mantelpiece. I'm going to have to buy a house," she said.

By the end of the day, however, a certain resentment was building up in Ireland at suggestions that My Left Foot was really a British venture. There was much criticism of the BBC for having reported it that way. In fact, the British only put up some of the money.

Cat trouble

■ Something is rotten in the state of Argentina. More precisely, something was rotten in a water tank of the Casa Rosada, the crumbling palace which houses President Carlos Menem's government.

The royal-blue uniformed Grenadiers who form the palace guard were beginning to drop like flies, struck down with a mysterious stomach upset. The culprit, a drowned cat in advanced state of decomposition in a water tank, was discovered this week.

Hundreds of cats live in the Casa Rosada, a labyrinth of decaying finery. Since the Buenos Aires municipal council has just announced an anti-rat year, they are unlikely to be forcibly evicted.

OBSERVER

Poll surtax

■ Andrew Mursell, a computer student at Portsmouth Polytechnic who lives on the Isle of Wight, has received a poll tax bill for £3,864,061.55. When he telephoned to query it, he was told he could pay by instalments.

Exxon out

■ With unintended good timing the first European exhibition of the work of Raymond Loewy, the man who gave post-war capitalism its most distinctive symbols, is showing in West Berlin just as East Berlin is going capitalist.

Loewy, the French-born American who died in 1986 aged 93, is usually described as the "father of American industrial design". He is responsible for the shape of toothpaste tubes, cigarette packs and soup cans. He also created famous logos like those of Shell and Canada Dry, and even designed the original Greyhound Bus. When accused of lacking an aesthetic sense, Loewy would retort that there was nothing more beautiful than a rising sales curve.

The exhibition is sponsored by Daimler-Benz and Edzard Reuter, the Daimler chief executive, has written a glowing preface to the accompanying book.

But there is a strange omission. The word-mark and logo of the US's biggest oil corporation, Exxon, which Loewy is usually credited with inventing, scarcely feature in either the book or the exhibition. Possibly this is because Exxon has gone modest about publicity since the Alaska oil spill, though there remains some doubt about whether Loewy personally created them.

The exhibition is moving next to Paris, then Amsterdam and will make its last European stop in London's Design Museum. Perhaps Lawrence Rawl, the Exxon chairman, should clear up the mystery of the omission before the exhibition arrives in New York.

"I see no leadership challenge."

Soviet records

■ The Guinness Book of Records is about to be challenged by a Soviet news agency called Pari.

Pari is proposing to set up what it says is the world's first information service answering queries on the world's strangest, fastest, largest, first, and altogether most record-breaking phenomena. The agency claims that already 70 per cent of the world's records are held by people from the Soviet Union. For example, the world's tallest man is the 2.4m former basketball player, Viktor Slasmenko. He also earned one of the world's smallest salaries: 65 roubles a month.

There will also be a world encyclopaedia of miracles, though not apparently economic. They will include a Soviet man who can speak 38 languages and a 10-year old boy who can distinguish the newspapers, Trud and Izvestia, by smell.

Still secret

■ The British Government's sensitivity to intelligence matters related to the Falklands War has in no way diminished with time. A television production team has been commissioned by Channel 4 to make a film to mark the 10th anniversary in 1992. Thus the Foreign and Commonwealth Office has written to senior diplomats (mostly now retired) reminding them of their duties if approached for information.

The letter stresses that nothing should be said or revealed about Britain's involvement in the war which might be considered by the Government as detrimental to national security, past or present.

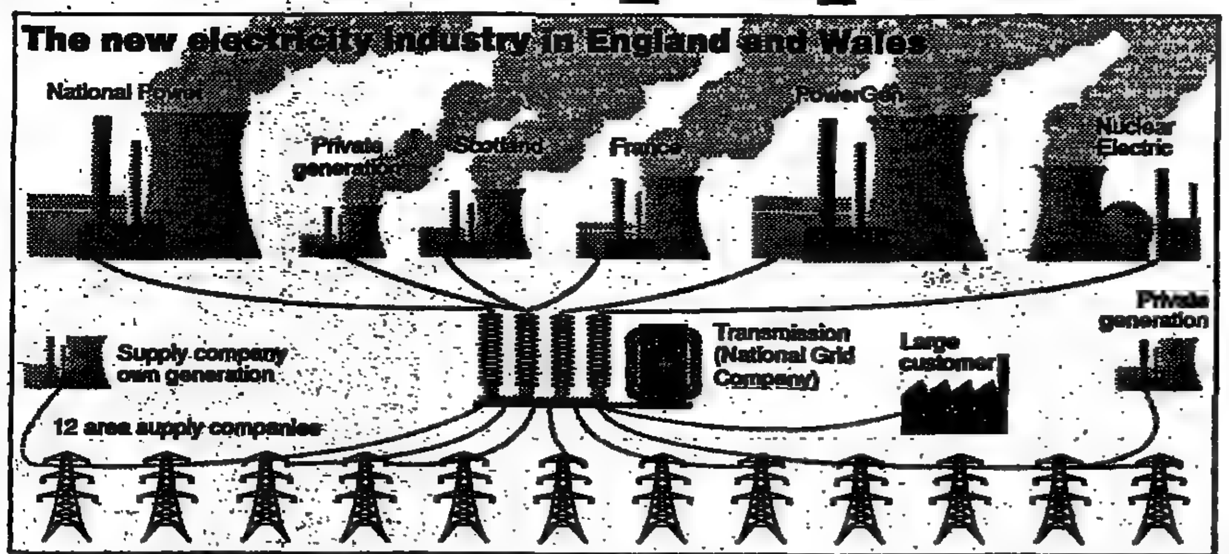
According to the FCO, what is said by any diplomat, serving or retired, should not go beyond what has already been published in House of Commons Select Committee Reports. That means we may have to wait until 2012 (under the 30 year rule) until much more comes out. The memoirs of Sir John Nott, who was Defence Secretary at the time, are locked in a bank until well after his death.

Transformed

■ Sign in the window of a New York beauty salon: "Men! Please do not whistle when a gorgeous girl emerges – it may be your grandmother."

David Thomas and Maurice Samuelson report on the reorganisation of Britain's electricity industry

Power to some of the people



The great and the good of the electricity industry in England and Wales will gather today in Clements House, a nondescript building opposite London's Guildhall, for an event which would be beyond the wit of most fiction writers to imagine.

They will be there to sign a mountain of contracts so large that it would have left Kafka reeling. National Grid Company, one of the companies invited to this lawyer's feast, has to put its mark on about 700 contracts. Three days have been set aside to ensure that the right signatures are on the right papers by Saturday – the "vesting day" for the new electricity companies heading for privatisation.

By the weekend, one of the UK's biggest industries will have an entirely new structure. Sixteen new electricity companies will have been created in England and Wales (a parallel process is under way in Scotland). The monopolistic Central Electricity Generating Board, which dominated the industry for decades, will be dissolved. In its place, a new semi-competitive, quasi-market will crank into operation.

Three new generators will be created: National Power and PowerGen, which will be privatised, and Nuclear Electric, which will remain in the public sector. A new entity, National Grid Company, will run the national grid. It will be owned jointly by the 12 area supply companies, which are for the first time facing competition from generating concerns to supply their larger industrial customers. The sale of the industry – with a likely total price tag of more than £10bn – will begin in the autumn.

There are few parallels anywhere in the world for an industrial reorganisation of this size. The break-up of American Telephone & Telegraph is one of the few comparable modern examples. But just as opinion in the US is fiercely divided on the merits of ending the old Bell system, so too the jury will remain out for some time on the wisdom of Britain's electricity reorganisation, the biggest and most complex privatisation attempted by the UK Government.

On one point, however, there is virtual unanimity. The appointment of Mr John Wakeham as Energy Secretary in the middle of last year rescued a policy which was heading for the rocks. Mr Wakeham pulled the rotten tooth gnawing away at the Government's privatisation plans when he abandoned the attempt to sell any of the nuclear power stations. Years of ineffectual monitoring by the Department of Energy had failed to reveal the true costs of nuclear power.

Yet a price has had to be paid for Mr Wakeham's business-like determination to drive through the privatisation programme. Strong limits to competition have been built into the new electricity structure in its early years in an attempt to protect the markets of the existing electricity companies and hence make them more saleable.

One example is the protection given to the 12 area electricity companies' supply monopolies. In the early years of privatisation, sites with a maximum demand of between 100kW and 1MW have no right to seek alternative suppliers – the main mechanism by which companies hope to secure cheaper electricity or better contract conditions. This provision, which is due to last until 1994, will exclude from the competitive supply market nearly all small and medium-sized businesses as well as the individual sites of many large groups.

One of the country's largest retailing chains, for instance, explains that it has a combined demand of about 30MW, but that none of its 100-plus stores has demand of its own of more than 1MW. "When we first heard about the privatisation plans, we thought we would be able to buy electricity on the open market. We will, in fact, be no better off than in the past," it says.

Like other industrial and commercial customers unhappy about the new regime, this retail chain is not prepared to be quoted publicly. The Department of Energy has been assiduous in warning anyone connected with the privatisation process not to make negative comments to the press. It has been less active in explaining to the outside world the Byzantine structure it has evolved for the new industry or – until recently – in consulting industrial users on their views.

"They would say they've consulted us and we would say they've insulted us. We've been getting more information by reading the newspapers than from the Department of Energy," comments one very large industrial electricity consumer. One group of large users says the department began to listen to it only after it had complained to Mr Wakeham that its views were taken more seriously by the European Commission than by his own department.

Mr Wakeham dismisses worries about restrictions on competition for larger industrial customers. "I can assure you that customers are already receiving the benefits of competition.

Private generators are almost certain to prefer to build smaller, more flexible plants with quicker payback periods

There are a lot of them who are telling me they have got prices for their electricity that they did not believe possible."

It is certainly true that audible sighs of relief have been heard from many large users in recent months. Many had feared that they would face swingeing price increases after privatisation. Deft last-minute decisions by Mr Wakeham have ensured that most consumers will notice little difference until after the next general election. Electricity consumers fall into three categories:

- Almost all households, small businesses and medium-sized commercial sites – that is, consumers with maximum demand of less than 1MW. They face price rises averaging about 9 per cent from April 1, but prices for their electricity will not be allowed to increase by more than the rate of inflation for the two following years to 1993.
- Medium-sized industrial locations with maximum demand of more than 1MW. They are now allowed to shop around for electricity supplies and so far have emerged as the big winners from electricity privatisation. The area supply companies have been offering them price cuts, on occasion of more than 10 per cent, in a bid to keep their custom.
- The very largest industrial users – those with demand of more than about 8MW-10MW. They feared price increases in the 20-30 per cent bracket, because a number of schemes which favoured them under the old nationalised structure will be wound up on vesting day. However, Mr Wakeham has forced the electricity industry to offer an inflation cap to these large users for another year.

On the face of it, the competition for the business of users above 1MW demonstrates that there are ample competitive juices in the new structure. In theory, bids can be made to supply these users by any of the 12 area supply companies, National Power and PowerGen, the two generators heading for privatisation, independent electricity generators and the Scottish electricity companies.

In practice, competition for the custom of the above 1MW category seems to have assumed a rather limited pattern. Few area supply companies have made serious attempts to win supply contracts for industrial customers outside their region. One large industrial company says that its many industrial sites have had only three serious bids: one from National Power, one from PowerGen and one from its existing area supply company. Mr Wakeham points to Seeboard's success in wresting the contract to supply Heathrow airport from Southern Electric as evidence of the new spirit of competition. But Heathrow is the only known example of its kind.

Mr Wakeham was able to impose an inflation cap until 1993 on the prices of the bulk of electricity users – those with demand of less than 1MW – thanks to the three-year coal supply contract between British Coal and National Power and PowerGen. The two generators have agreed to take the vast majority of their fuel supplies from British Coal at above world market prices, albeit below its current prices in real terms.

This contract will severely constrain competition between National Power and PowerGen during the next three years, since fuel accounts for over 70 per cent of their costs. The coal contract's adverse impact on competition is offset, in the Government's eyes, by one overwhelming advantage: it will postpone until after the next general election what could be politically explosive decisions on the future of Britain's coal industry.

For it is already clear that privatisation will have a significant effect on new generating projects. The CEGB'spredilection for large coal-fired and nuclear stations already looks like a relic of a bygone age. Private electricity generators are almost certain to prefer to build smaller, more flexible stations with quicker payback periods. Some of these may be new-style coal stations, but the relatively new combined cycle gas turbine generating technology is ideal to meet these needs. Add in the growing environmental worries about coal as a power generation fuel and the 1990s look certain to belong to gas.

Mr John Baker, National Power's chief executive, expects 80-90 per cent of all the new generating capacity to be built over the next decade to be gas-fired. National Power and PowerGen have announced a string of proposals for new gas-fired stations. Indeed, there are worries among some of the companies hoping to become independent generators under the new electricity structure that National Power and PowerGen will crowd out the market for new stations.

Whether or not the independents flourish under the new structure, it is clear that small power stations will be the name of the game in the next 10 years. Almost two decades after E.F. Schumacher, ex-economic adviser to the National Coal Board, coined the saying "small is beautiful," it might at last be becoming true in the electricity industry. Unfortunately for his former employers, gas will be the beneficiary.

LOMBARD

Timely warning for Greece

By Robert Mauthner

THE LETTER sent by Mr Jacques Delors, the President of the European Commission, to the Greek Government, warning that its international creditworthiness and even its future status in the Community would be endangered if it did not rapidly put its economy in order has drawn attention to the dire state in which Greece finds itself today. It is by no means the first warning of its kind that Greece has received this year. Both the Organisation of Economic Co-operation and Development and the International Monetary Fund have sent similar messages to Athens, albeit in the form of reports rather than letters.

The vehicle chosen by Mr Delors to impart his warning and the sharp terms he is reported to have employed are certainly unusual in relations between the Commission and member states. But it is justified by the fact that the Commission has had its fingers burnt before where Greece is concerned. In 1985, Greece received a \$1.7bn emergency loan from the EC, which has not yet been repaid. Moreover, the conditions on which it was granted – a substantial reduction of inflation and the reduction of the public sector borrowing requirement – were never fulfilled by the previous Socialist Government led by Mr Andreas Papandreou.

What Mr Delors is saying is that Greece cannot expect similar Community aid, which it will almost certainly require, if it does not take drastic measures to put its house in order. The warning was timely, as it came only a few weeks before Greece's third election within 10 months, due on April 8.

The solution, however, is not as simple as might appear. Greece has not had a viable government since June last year, when Mr Constantine Mitsotakis's centre-right New Democracy Party, though emerging as the strongest single parliamentary group, failed to win an overall majority. The coalition governments which have "ruled" the country since then have been too heterogeneous to impose on the country the economic medicine prescribed for it by all the international organisations. Even the respected and politically impartial caretaker Prime Minister, the 85-year-old Mr Xenophon Zolotas, a former Central Bank Governor, has failed to persuade Greeks to face economic reality.

It is not for lack of trying, it should be said. But when push came to shove the members of what has flatteringly been described as an "ecumenical" government, grouping all three main political parties, have always decided to take more account of their potential electorate than the alarming economic statistics. Yet to any outside observer of the Greek scene, their failure to act decisively appears irresponsible and certainly contrary to Greece's national interests.

As a result, a new government will have little room for manoeuvre. Stringent austerity measures are the only answer to a rapidly deteriorating situation. After one of the worst economic performances in the OECD area over the past decade, the government will have to finance a public sector borrowing requirement of some 22 per cent of GDP, bring down an inflation rate which is expected to reach 17 per cent this year, and which is more than three times the OECD average, and finance a current external deficit of at least \$2.5bn, or 5 per cent of GDP.

Priority will therefore have to be given to cut public spending by the sale of ailing companies, the reduction or complete abolition of the wide range of state industrial investment subsidies and a complete overhaul of the social welfare system, particularly the over-generous public pension scheme. On the revenue side, the long-heralded reform to broaden the tax base and bring within the net the 40 per cent or so of the black economy, must at last be implemented.

For that to happen, however, a government able to take decisions must emerge from the elections, whereas the opinion polls forecast that they will result in another hung parliament. What Mr Delors is telling Greek voters and politicians is that they have no more time to play political games if they want to save their country from ruin.

LETTERS

Seeking protection from unauthorised intrusion

From Professor Basil Markesinis

Sir, Discussing the case of the actor, Gorden Kaye, who was unable to get from the courts a full protection against the publication of photographs and story, obtained by intruding and unauthorised reporter and photographer of the Sunday Sport, while he was recovering in hospital from brain surgery, Justinian seems to be resigned to the alleged impossibility of legislation for the protection of privacy. Instead, he argues for "letting the law grow out of a series of rulings in individual cases." ("Establishing the right to be left alone," March 26).

However, as Justinian points out, the Appeal judges in this case felt unable to transcend the limits of case law and called for statutory provisions to protect the privacy of individuals.

The main argument against statutory protection is said to be the difficulty of defining and limiting privacy. But it has been done by statute of courts in Canada, France, Germany and the US.

Another argument seems to be that protection of privacy could restrict free speech and investigative journalism. But the Kaye case (and many others like it) are not concerned with the control of local or central government or any wrongdoing contrary to public interest. In this case the defendants boasted that their interview was "a great old fashioned scoop."

Finally, the Press Council argued recently through its chairman that there is little need for a new remedy since, in essence, privacy overlaps with defamation. But not only is defamation narrower than privacy, it is concerned with true private facts, the revelation of which can be more hurtful than lies with which defamation is concerned.

The promise of reform by means of Press Council guidelines is wearing thin, especially if the Press Council remains a watchdog without teeth and expects complainants to promise not to use theirs (by waiving any patchy remedies they may have) before it even starts investigating their complaints. For some, such a set-up provides a permanent temptation to sin in the sure knowledge that there will not be a day of reckoning!

The Kaye case provides further evidence that our law is patchy, inadequate and insular. The Calcutt Committee, now putting, no doubt, finishing touches to its long-awaited report on the law of privacy, ought to pause and take account of this case.

Basil Markesinis,
University of London,
Queen Mary and Westfield College, Mile End Rd, E1

Talks could settle beneficial loans tax anomaly

From Mr P.J. Rivett.

Sir, While I have a little sympathy with Mr C.F.Pocock ("Anomalies in taxation of beneficial loans," March 23), I would have thought the matter capable of being settled by negotiation rather than hoping for a mention in the Finance Bill.

Insofar as the current penal mortgage rates are exceeded by an even more penal official rate of interest, there is, on the face of it, a problem. However, if one examines the wording of TA 1988 s160(1) it will be seen that loans to be brought into charge are those "of which the benefit is obtained by reason of his employment".

The purpose of this legislation was to tax the benefit of receiving an interest free, or low interest loan, as part of a remuneration package.

If I understand Mr Pocock, he receives no beneficial terms which could not be obtained by any other person. While I find this odd, if this is indeed the case, surely the argument to be advanced is that the "benefit" cannot arise from his employment.

He might argue that he is receiving his present loan by virtue of him being a shareholder of the building society (as indeed all other borrowers generally are) and that the fact that he works for the society is irrelevant.

Taking the matter further, if he is really borrowing on the same terms as Mr Public, then perhaps he should consider disclaiming this alleged benefit.

I have been dealing with the Inland Revenue for more than 20 years and while I have encountered the occasional "maverick", I am certain that the Revenue, generally, would after making a few inquiries, concede that there really is no benefit here. Ask the district inspector to talk to his head office.

The true test must be, could the loan have been obtained in the precise terms, without the need for Mr Pocock becoming an employee? If the answer is truly "yes", then I feel that the Revenue will not pursue the matter. On the other hand, I am surprised that a building society would offer as an inducement, the ability to borrow at exactly the same rates offered to the public. Some fringe benefit!

P.J.Rivett
Warwick Close,
Abingdon on Thames,
Oxon.

East Germany could follow NFC route

From Mr F.S. Law.

Sir, Regarding Messrs Kotz's and Wermuth's letter ("A supply side answer to East German problems," Letters, March 19), I wonder whether they and the new East German government could not combine what is being suggested with an additional scheme based broadly on the employee buy-out success of the National Freight Corporation in the UK?

There are, I am informed, considerable savings deposits in the equivalent of savings bank. Would it not be feasible to propose to the employees and management of the "Volks Eigene Betrieb" (comparable with British public sector companies) that they use these savings to acquire the companies in which they work?

The example of the NFC has shown that the "ownership feeling" has an enormous impact on the employees in improving efficiency and productivity, leading simultaneously to an increase in profits, resulting in a share price improvement and dividend payments, certainly in excess of what "Sparkassen" investments would yield.

Having been involved in the NFC, from its beginning as a public company, via the buy-out to flotation, I can recommend heartily this method of employee involvement.

F.S.Law,
Lennox Gardens,
London, SW1

Premature conversion of Hanson's stock

From Mr Stephen Hugh-Jones.

Sir, As a shareholder in Hanson, may I update the sorry tale of the compulsory, premature conversion of its 10 per cent stock?

Hanson has now formally informed me that (a) it will indeed force unwilling stockholders to convert; (b) on April 30, over seven months since the last interest payment; (c) it will not pay interest for those months; yet (d) the taxman will still demand that we pay him.

The joint result is that:

1. Issued in May 1986, this supposedly 2007/12 stock will have existed for only 47¾ months.

2. But it will have paid interest for only 40½ of those months, thus reducing an advertised gross yield of 10 per cent to a real-world one of 8½ per cent.

3. *Since it will incur tax for* the full 47¾ months, the net yield will be cut even harder; for a 40 per cent taxpayer, to only three quarters of what, supposedly, it was going to be.

Indeed on the one interest payment of its last 13 months of life he will be taxed at almost 88 per cent.

I will not call this a fraud on the investing public: no doubt it is allowed for in the fine print.

But I doubt that it is quite what Aunt Agatha expected – and was reasonably entitled to expect, given no indication *whatever in 1986 that Hanson* would put the fine print into effect. And it is certainly one hell of a way to win her trust in the City, isn't it?

Stephen Hugh-Jones,
Abbey House,
Garden Road,
London, NW8

FINANCIAL TIMES
Wednesday March 28 1990

Mexico and US to forge closer trade links

By Robert Graham and Peter Montagnon in London

MEXICO and the US are to forge closer trade links with a view to an eventual agreement creating a fully fledged North American free trade area.

Mexico is the US's fourth biggest trading partner after Japan, Canada and the EC. Two-way trade last year totalled $52bn.

The move will provoke renewed fears that world trade flows could be hampered by the creation of regional trading blocs, undermining the authority of the General Agreement on Tariffs and Trade

Mexican officials recognise that the logic of closer trade ties would lead, eventually, to co-ordination of monetary and fiscal policy. The issue is expected to be raised at a formal meeting between President Carlos Salinas de Gortari and President George Bush in June.

In January last year a comprehensive agreement between Canada and the US took effect, freeing trade in goods and services and establishing a special mechanism for settling trade disputes.

Until recently Mexico had concentrated on negotiating trade deals in specific sectors such as textiles. This was because of extreme political sensitivity in Mexico to any comprehensive arrangement that implied loss of sovereignty and because of fears that its underdeveloped economy would be overwhelmed by US competition.

However, Mexican officials say that President Salinas has swung round to favouring early negotiations on a common market for three reasons:

● The fast evolving situation in eastern Europe risks diverting investor attention and trading partners as well creating additional competition for trade with west European markets.

● Mexico, in the process of restructuring and liberalising its economy and on the edge of economic recovery, is well placed to negotiate while it is still not a threat either to US or Canadian industry.

● Despite political sensitivities, the Mexican authorities believe a psychological barrier has been broken in attitudes towards the US. Close ties with the US economy are seen as the best anchor for price stability and growth.

Both sides recognise that the integration process will be lengthy. Sensitive problems will have to be overcome about immigration and such specific areas as trade in vehicles.

The latter proved one of the most thorny areas of the US-Canada agreement. The Canadians are already showing signs of concern about Mexican competition in the automotive industry. Mr Brian Mulroney, the Canadian Prime Minister, visited Mexico 10 days ago and was cautious about moving too fast on a free trade area.

The US accounts for 66 per cent of Mexico's total trade and Mexico plays a key strategic role as a stable long-term supplier of oil.

The first framework agreement for liberalising trade was signed by Mexico and the US in 1987.

Ford chief to replace Egan as Jaguar head

By Kevin Done, Motor Industry Correspondent, in London

SIR JOHN EGAN, chairman of Jaguar, the UK luxury car maker taken over by Ford of the US for £1.6bn ($2.6bn) last November, is to leave the company at the end of June.

He will be replaced as chairman and chief executive by Mr Bill Hayden, vice president of Ford of Europe's manufacturing group, who has led Ford's transition team at Jaguar.

Sir John, who joined Jaguar in 1980 and led its privatisation from the state-owned British Leyland group in 1984, has been one of the main standard-bearers of the Thatcher Government's privatisation programme.

His name has been linked with several high profile industry jobs and most recently with the chairmanship of National Power, the largest generating company in the £15bn privatisation of the electricity industry. He refused yesterday to comment on his future plans.

"I did not want to run a subsidiary of a large company," he said, "that would have been a problem for me. I want the independence of action I have grown used to."

In the 10 years under Sir John Egan, Jaguar was saved from the threat of imminent closure. Production and sales volumes have been more than tripled, it has substantially modernised its engineering and parts of its manufacturing facilities, and has set up a worldwide sales network and re-established its credibility as a luxury car maker.

Its profitability has been battered by the weakness of the US dollar and falling sales in the US, however, and Sir John disclosed yesterday that the company had only been trading at a break-even level for the whole of 1989.

The transition team at Jaguar had already established that savings of "well in excess of £100m" could be achieved.

Mr Hayden, 61, will take over as chief executive of Jaguar with immediate effect. Sir John will retain the role of non-executive chairman for the next three months.

He said Jaguar was planning a future four model line-up, adding a smaller "sporty saloon" and a sports car to the existing XJ6 luxury saloon and XJS grand tourer ranges. It was planned to raise output to close to 200,000 cars a year in the next 10-15 years from an output last year of 48,138 and 51,939 in 1988.

Part of a crowd of 60,000 who marched to protest against high rents in the black township of Kwa-Thema, east of Johannesburg, yesterday

Threat of violence lingers on in township where marchers died

By Patti Waldmeir in Sebokeng

YOUNG black police constables kept their shotguns trained nervously on the crowd which gathered yesterday in Sebokeng, the black township outside Johannesburg, to watch the mopping-up after the previous day's violence.

At least nine people died and 450 were injured on Monday when police opened fire on anti-apartheid demonstrators.

The so-called "kitskonstabels" – young black policemen with minimal training and little education – were removing barricades of boulders and burning debris from the streets under the scrutiny of residents and workers who had stayed home for the day.

While the explosive unrest of the previous day had subsided, the threat of violence remained in the air. And the police appeared to be aware that, in the eyes of Sebokeng's residents, they alone were responsible for Monday's carnage.

Not surprisingly, accounts of the violence by police and community leaders do not tally.

Community leaders said they staged a peaceful march to deliver a protest petition at the local police station. When they began to retreat after delivering the petition, police opened fire without warning and many marchers were shot in the back as they withdrew.

The police said they acted in self-defence, using teargas and shotguns to break up a march of 50,000 people, after the marchers "began singing and shouting and threatened to attack." Two policemen were injured.

Whichever version is true, something went badly wrong in Sebokeng on Monday, and although Mr Walter Sisulu, a senior official of the African National Congress (ANC), said yesterday the violence would not threaten negotiations between the ANC and Pretoria, both sides must be anxious to avoid a repetition.

Mr Bavumile Vilakazi, a local official of the anti-apartheid United Democratic Front (UDF) and the man who headed Monday's march, said: "We were trying to reach out to Mr de Klerk." The aim had been to present the petition – detailing grievances over high rents, poor education and health facilities, and other local and national issues – to the ruling National Party headquarters in the nearby white town of Vereeniging.

Permission to stage that march was denied, however.

Mr Vilakazi repeatedly emphasised that community groups which organised the march – the local civic association, the UDF and the unions – were committed to keeping protests peaceful. He denied police reports that marchers were armed with stones, sticks, knobkerries and bottles – although another UDF official appeared to contradict this, saying that carrying sticks was a "cultural expression" which did not denote violent intent.

Until Monday, police had shown restraint (by historical standards) in dealing with unrest. But the violence in Sebokeng highlighted an increase in unrest since the release of Mr Nelson Mandela, deputy president of the ANC, on February 11.

Since then, nearly 250 people have died, the vast majority in faction fighting between rival groups in Natal province. Many have also died in several of the country's 10 black homelands.

Japanese companies find room to lure staff

By Robert Thomson in Tokyo

THE company dormitory, five to a room, wall-to-wall corporate loyalty and a midnight curfew, is under renovation in staff-starved Japan, where workers now have a choice of companies they can join.

Mitsubishi Heavy Industries yesterday announced a Y55bn ($352m) plan to remodel the company dormitories and build more houses for married middle-managers in the interests of "better quality living." The new, one-person rooms will come with air-conditioning, telephone and provision for satellite television.

The Matsushita electronics group is planning to spend even more – Y70bn – on accommodation over the next five years, and will replace four-person dormitories with single rooms in 10-storey buildings. Soon, it will lift the midnight curfew.

Toyota and Honda, the car makers; Suntory, the brewer; Nippon Seiko, the ball bearing maker; NEC, the electronics company; and Fanuc, the machine tool company, have recently announced plans to upgrade company housing. Wealthy companies are offering saunas and bowling alleys to lure recruits, and others are signing up employees by promising them a family home.

Some companies have traditionally kept dormitory facilities to a minimum, believing that a spartan lifestyle helped cultivate a spirit of self-sacrifice. A worker at an energy firm explained that, until the labour shortage, his company would routinely limit power to its workers' housing complex to cut costs.

But the labour shortage – university graduates had an average of 3.1 companies to choose from last year – and the high and rising price of land in Japan have combined to make housing an important selling point. The property push has disadvantaged smaller companies, which are less able to provide rooms for individuals.

In Tokyo, the land price surge has slowed, but property prices around the country rose 17 per cent last year, with Osaka, the second largest city, recording a 46.3 per cent increase. Nikkeiren, the employers' federation, said yesterday that the labour shortage and land prices were both "serious problems."

Mr Minoru Tanaka, a general manager at Nichii, which runs supermarket and department store chains, said the company was "renovating old buildings and constructing new buildings" to ensure that workers will no longer be forced to share rooms.

"Young people don't want to share rooms any longer. They want to have their own space and freedom. Some young people work for a while, and then want to leave, so we have to do our best to keep them," Mr Tanaka said.

"Many single women live with their parents, but we have buildings for those who don't. We have a re-employment system for women who have a baby and want to return a few years later", he said.

EC may delay British power privatisation

By Lucy Kellaway in Brussels and David Thomas and Maurice Samuelson in London

LAST-MINUTE attempts will be made in Brussels today to derail the UK Government's electricity privatisation plans when the European Commission considers subsidies to the nuclear power industry.

Objections are also likely to be lodged with Brussels this week by Britain's small private coal industry about the bulk coal contracts for power stations which underpin the privatisation plans.

At today's meeting, some commissioners are likely to try to delay the introduction of the electricity market, which is scheduled for Saturday, the industry's "vesting day." Their main concern is the subsidies to the nuclear industry built into the new market.

Some commissioners are particularly concerned about the £2.5bn potentially available under the 1989 Electricity Act for the liabilities of the nuclear industry and the nuclear levy. They are expected to argue that these subsidies contravene EC rules on state aid to the nuclear industry. Doubt is likely to be expressed about whether the Community should be subsidising its nuclear industry at all.

The National Association of Licensed Opencast Operators and the Federation of Small Mines of Great Britain, representing the private UK coal industry, are planning to lodge a formal complaint with the Commission this week about the contracts between British Coal and National Power and PowerGen, the two new generators in England and Wales.

They will allege that the contracts break EC competition rules because they offer British Coal a higher price than that paid to private coal operators.

Power to some of the people, Page 16

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	13	55	Dubrovnik	C	18	64	Malta	S	17	63	Rhodes	S	19	66
Algiers	C	16	61	Edinburgh	C	9	48	Manchester	F	9	48	Rio de J'o	C	34	93
Amsterdam	S	9	48	Faro	S	18	64	Manila	C	35	95	Rome	F	12	54
Athens	S	21	70	Florence	R	7	45	Melbourne	S	30	86	Salzburg	C	7	45
Bahrain	S	24	75	Frankfurt	C	9	48	Mexico City	C	25	77	San Francisco	S	8	46
Bangkok	F	34	93	Funchal	F	18	65	Miami	S	19	66	Seoul	C	12	54
Barcelona	S	15	59	Geneva	F	7	45	Milan	F	7	45	Singapore	F	31	88
Beirut	–	–	–	Gibraltar	S	19	66	Montreal	S	-11	12	Stockholm	S	8	46
Belfast	R	8	46	Glasgow	R	8	46	Moscow	C	0	32	Strasbourg	F	9	48
Belgrade	S	14	57	Guernsey	F	9	48	Munich	C	6	43	Sydney	S	25	77
Berlin	C	7	45	Helsinki	S	5	41	Nairobi	F	26	79	Taipei	F	27	81
Biarritz	F	10	50	H. Kong	C	21	70	Naples	C	15	59	Tangier	S	20	68
Bombay	F	29	84	Innsbruck	C	5	41	Nassau	F	29	84	Tel Aviv	S	19	66
Bordeaux	C	10	50	Inverness	F	9	48	New Delhi	C	22	72	Tenerife	S	21	70
Brussels	C	8	46	Islamabad	C	21	70	New York	S	-2	28	Tokyo	S	13	55
Budapest	R	8	46	Istanbul	S	19	66	Nice	F	14	57	Toronto	C	-6	21
B. Aires	C	20	68	Jakarta	C	32	90	Nicosia	S	19	66	Tunis	F	16	61
Cairo	S	26	79	Jersey	C	9	48	Oporto	S	15	59	Valencia	S	14	57
Cape Town	S	21	70	Jo'burg	F	20	68	Oslo	S	9	48	Venice	R	10	50
Caracas	C	30	86	Lima	F	25	78	Paris	C	8	46	Vienna	C	10	50
Casablanca	S	19	66	Lisbon	S	16	61	Peking	–	–	–	Warsaw	C	9	48
Chicago	S	-6	21	London	C	8	46	Prague	F	9	48	Washington	S	2	36
Cologne	C	9	48	Los Angeles	C	13	55	Reykjavik	S	1	34	Zurich	Sl	3	37
Copenhagen	S	7	45	Luxembourg	F	7	45								
Corfu	F	21	70	Madrid	S	10	50								
Dallas	C	7	45	Majorca	F	12	54								
Dublin	R	10	50	Malaga	F	18	64								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

US-German aero-engine co-operation

Continued from Page 1

company's intentions to reduce its relative dependence on ties with French aerospace companies, with which West Germany has co-operated for 30 years.

MTU, with turnover of more than DM3bn, manufactures engines for both civilian and military aircraft as well as large diesel motors for ships, locomotives and tanks. MTU's aircraft engine business turns over around DM1.6bn ($900m) a year. Pratt reported last year operating profits of $946.5m on revenues of $7bn, out of United Technologies' group total of $1.26bn on revenues of $19.76bn.

Industry analysts consider that the groups might benefit from links between their Sikorsky and MBB helicopter divisions and in other aerosapce activities.

Some US analysts thought the aero-engines divisions would benefit from the pooling. Others thought it merely a formalisation of existing links.

The link-up could have implications for Rolls-Royce, which cooperates with MTU in military engines for the European Fighter Aircraft, Tornado and the Franco-German Tiger combat support and anti tank helicopter programme. Rolls-Royce is also a partner with Pratt and MTU in International Aero Engines, a consortium which makes the V2500 commercial jet engine.

United Technologies said MTU would become its "principal partner for Europe and the preferred partner worldwide." This would not diminish, however, Pratt's commitment to International Aero Engines.

THE LEX COLUMN

The case for a more prudent Pru

Prudential has come a long way towards rejuvenating itself. But the minutiae of yesterday's results suggest that there is still a great deal for Mr Mick Newmarch, the new chief executive, to do. On the one hand, the backbone of the business, UK life assurance, is still firmly profitable, an impression reinforced by the group's 15 per cent dividend increase. Even after stripping away special items such as a less gloomy view of AIDS and the initial impact of an increase in the shareholders' portion of life profits, the increase is an underlying 40 per cent. The real difficulty lies in the signs that the quality of Prudential's earnings has deteriorated, at a time when the group is still not reaping the full benefits of extra sales flowing through from its five-year old diversification strategy.

The most obvious party to blame for the reduction in quality is the 750-unit UK estate agency chain. It delivered £49m of pre-tax losses in 1989, and the City thinks it could dump another £30m on the Pru's plate this year. The Pru itself is openly sceptical that it will ever see a proper return on its £250m investment. Perhaps equally disturbing is the fact that even after taking in some capital appreciation on its investment portfolio, the Pru is the only major quoted British insurer so far to make a pre-tax loss on its non-life insurance book in 1989.

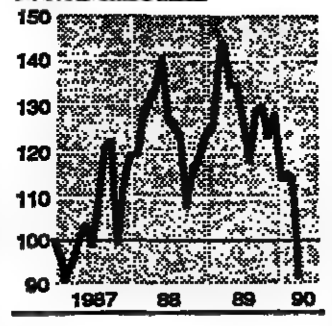
The prime culprit there was the sudden £45m upward jerk in losses from Piper Alpha at the Pru's reinsurance subsidiary, Mercantile & General, a surprise on a scale which should have been avoidable. That, however, may point the moral of the whole story. Paradoxically enough, aside from Prudential Portfolio Managers, which has financial risk management down to a fine art, perhaps Pru's strongest point is not running volatile, cyclical businesses like M&G. It is probably stuck with estate agency now; but its real forte lies in managing long-term savings. This, fortunately, is where Mr Newmarch comes from too, and where perhaps his efforts should be concentrated.

BA/Sabena

The referral by the UK authorities of the British Airways/Sabena deal raises two problems of interpretation: whether the authorities are really out to block the deal, as opposed to tinkering with it; and how much it means to BA anyway. BA has already rejected the idea of horse-trading; it also claims – probably rightly – that under the new system of merger regulation starting on September 21, the deal would fall to Brussels. This opens the intriguing possibility that even if the deal were blocked when the MMC comes to report in June, BA could re-submit it to Brussels in September. As we enter the no-man's land between the end of the old regime and the start of the new, there is a real risk of a power vacuum in competition policy.

The importance of the deal to BA remains hard to assess. The initial investment of £34m is scarcely material; what matters is what would be spent in the mid-1990s. Add in the vexed question of what a deregulated European industry will look like, and it is perhaps unsurprising that the stock market's reaction to the news yesterday was masterly inactivity.

Carlton Communications
Share price relative to the FT-A All-Share Index



Carlton/Vickers

There was an odd disparity in the market's treatment of the two parties to the Cosworth deal yesterday. Vickers' shares were almost unchanged: those of Carlton Communications fell 12 per cent. But Carlton's real problem lies elsewhere. Profits so far this year, the chairman said yesterday, show a "respectable" increase. The market takes this to mean full year earnings growth in single figures, perhaps as low as 4 per cent. For the sceptics, this means the last great go-go stock of the Thatcher era is going the way of its fellows.

It would not do to exaggerate this. Carlton has net cash in the bank, good products and strong positions in growing markets – even if those markets now seem less proof against the consumer downturn than was once expected. At around 10½ times this year's expected earnings, it is rated in line with the market. Next year, its supporters say, its growth trend of 15 per cent will be resumed. But that involves, yet again, taking Mr Michael Green on trust; and as the violent seesaws in Carlton's price suggest, there have been two schools of thought on that for several years now.

For Vickers, the attractions of the Cosworth deal go beyond the purely defensive. Though there is no immediate connection between Cosworth and Rolls-Royce Motors, Vickers has a good record as a sympathetic owner of up-market assets. It also has in Mr Michael Dunn, Rolls-Royce's engineering director, an executive who grew up with Ford, which takes 70 per cent of Cosworth's sales.

The real price of £153m (after discounting the deferred payments) represents a multiple of 17 for a business whose profits have gone from £4.5m in 1987 to £14.2m last year. There will be a goodwill write-off of £130m, but Vickers will still have net cash on the balance sheet. With 40 per cent of sales in the car industry, Vickers is still not the most logical company in the world; but it may be getting there.

P&O

Looking at the 25p drop in P&O's shares to 592p yesterday, one might imagine that a spanking-new cruise liner had run aground shortly after losing Sir Jeffrey Sterling overboard. The more prosaic explanation for the nervousness which pushed the current gross yield on the shares up to 6.6 per cent is that Sir Jeffrey's results statement was cautious, and that the market promptly over-reacted.

Caution from Sir Jeffrey should actually have come as no great surprise, in view of P&O's exposure to high UK interest rates. After taking out the exceptional profit on the sale of its Taylor Woodrow stake, P&O saw its profits from housebuilding and construction, for instance, dip 14 per cent. It is hard to see much recovery there this year, if any. But the corollary of all this is that P&O's shares are going to have a sharp run when interest rates do eventually come down; and in the meantime cruise liners, plus the old cash flow standby of UK services, are covering the dividend nicely anyway.

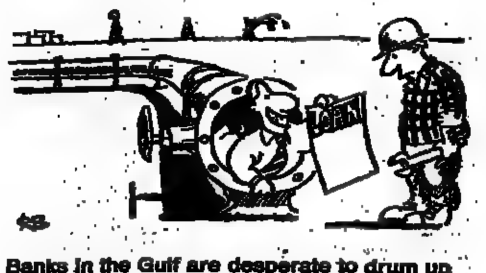
FINANCIAL TIMES
COMPANIES & MARKETS
© THE FINANCIAL TIMES LIMITED 1990 Wednesday March 28 1990

INSIDE

P&O plots a cautious course for 1990

Peninsular and Oriental Steam Navigation, the shipping, construction and services group which unveiled solid pre-tax profits of £376.7m ($603m) in 1989, is not about to go wild in 1990. "Unless you're a bloody idiot, you have to be cautious," remarked Sir Jeffrey Sterling, chairman, as he warned that the economic climate was "clearly more uncertain than a year ago." Nikki Tait reports. Page 27

Psssst...want a loan?



Banks in the Gulf are desperate to drum up new business. So much so that "they are becoming a nuisance, pestering companies with unsolicited phone calls, offering to lend money and provide financial advice," says one senior oil company executive. Hunter Reynolds reports. Page 25

Hong Kong on the up and up

Hong Kong's stock market has been looking for an excuse to rise during the past couple of months and it appears to have found more than one. Exceptionally good profits from Jardine Matheson were followed by an absence of bad news from China and encouraging noises about Hong Kong's economy from Li Peng, the Chinese prime minister. Now the Hang Seng index has broken through the elusive 3,000 barrier. Back Page

Opting for independence

Dissent is growing and moves for independence are getting more aggressive. The leadership has even been called upon to resign. Brokers at the London Traded Options Market are irritated at the time it is taking for the market to be hived off from its parent, London's International Stock Exchange. Deborah Hargreaves reports. Page 28

A marriage of convenience

Amro, the biggest bank in the Netherlands, and Algemene Bank Nederland, a close number two and arch rival, plan to merge to create a powerful home base for rapid expansion abroad. If the marriage goes through, the new bank would rank sixth in Europe and 19th worldwide. Some securities analysts, however, question whether such a new bank would possess the necessary expertise and resources to compete worldwide. Page 21

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Karstadt	674	+	8.5
Varta	421	+	4
Falls			
Beiersdorf	815	−	15
Lufthansa	214	−	6
Siemens	791.2	−	17.6
Thyssen	318.5	−	4.5
NEW YORK ($)			
Rises			
Sally Mae	13⅝	+	1
Homestake Mng	17⅛	+	⅜
J.P. Industries	16⅞	+	⅞
Shearson Lehman	12⅛	+	⅞
Falls			
Amer. Express	26	−	⅜
Circle K	1¾	−	⅜
New York prices as at 12.00pm.			

PARIS (FFr)			
Rises			
Intertechnique	1515	+	26
Falls			
Club Med.	656	−	22
Fromageries	2285	−	116
LVMH	4621	−	70
Nouvelles Gal.	640	−	10
Printemps	506	−	6
TOKYO (Yen)			
Rises			
Co-Op Chemical	890	+	130
Kanto Gas Kog.	1400	+	220
Mitsubishi Kak.	1170	+	170
Origin Electric	1210	+	200
Toa Oil	690	+	110
Falls			
Bk Yokohama	1330	−	150

LONDON (Pence)			
Rises			
Fogarty	454	+	14
Iceland Frozen	289	+	21
Norex	200	+	23
Pearson	673	+	7
RHM	391	+	1
Falls			
Bunzl	96	−	10
Cable & Wire.	527	−	10
Calor Group	263	−	11
Carlton Comms.	590	−	81
GRE	228	−	6
ICI	1113	−	31
P & O Defd.	592	−	25
Prudential	201	−	5
Rank Org.	778	−	20
Rolls Royce	189	−	1
Shell	464	−	8
STC	257	−	10
THORN EMI	668	−	20
Ultramar	365	−	7

Takeover planned for LUI agency

By Patrick Cockburn in London

MR JOHN HEAD, owner of Anglo American Insurance, moved yesterday to take control of H.S. Weavers, the largest underwriting agent for US casualty insurance in London, from London United Investments, its present owner.

The takeover, when complete, will mean that London will continue to be a leading centre for the placing of US casualty business despite the suspension of LUI's shares.

The agreement between Anglo American and LUI does nothing, however, to clarify the future of policyholders whose insurance has been arranged by Weavers in the past. On Sunday the Department of Trade and Industry told Walbrook, LUI's main insurance subsidiary, to stop writing new business.

The main purpose of yesterday's agreement was to secure Weavers' future. In the past, 55 per cent of its business was underwritten by Walbrook and 45 per cent by Anglo American. Started in 1987, Anglo American is based in London and was bought last year by John Head & Partners, a New York merchant bank specialising in insurance.

Mr Peter Wilson, chairman of LUI, said yesterday: "The new arrangement benefits the London insurance market because Weavers can write new business on its behalf. It benefits LUI because the staff of Weavers' agency can be kept together." Mr Roger Borley, managing director of Weavers, added: "Following the decision of Walbrook Insurance Company to suspend underwriting, we believe that Anglo American is best placed to assist us and to offer a long-term solution."

On the future of Walbrook and the six LUI subsidiaries whose lack of sufficient reserves to meet claims precipitated this week's crisis, Mr Wilson said he was still waiting for a final report from Tillinghast, the consulting actuaries, in the near future.

The process of the takeover of Weavers and other underwriting agencies belonging to LUI is complex. In the first instance, Weavers and other underwriting agencies belonging to LUI will be advised on a day-to-day basis by a subsidiary of Anglo American to be called Anglo American Underwriting Management.

Mr John Cumming, chief executive of Anglo American, was last night reassuring staff at Weavers about their future. Mr Wilson said that in time Weavers and the other LUI underwriting agencies would become part of the new subsidiary.

The newly-constructed underwriting agency will not at first have the same capacity as Weavers had when Walbrook could still write business, but Anglo American was yesterday looking at ways to get fresh capital.

Major insurance brokers may be disappointed that Mr Head and Anglo American have not done anything to secure the future of Walbrook's policyholders and the six LUI subsidiary companies. But they will be pleased that the facility for US casualty business provided by Weavers is not going to disappear from the London market.

Brokers were yesterday waiting to find out the extent of the subsidiaries' insolvency and the impact on Walbrook.

Mr Philip Wroughton, chairman of CT Bowring, the international brokers, which are a subsidiary of Marsh & McLennan in the US, said yesterday that they had ceased to do business with Weavers last Friday.

Vickers agrees £163m deal for Cosworth

By Andrew Bolger in London

VICKERS, the engineering, defence and Rolls-Royce cars group, has conditionally agreed to pay £163.5m ($262m) for Cosworth Engineering, the specialist in high-performance car engines.

Cosworth is being sold by Carlton Communications, the fast-growing video and television services company, which acquired it last May as part of the £490m acquisition of UEI, the digital processing and engineering company.

The sale price for Cosworth was at the bottom end of market expectations and Carlton shares yesterday fell 81p to 590p. Carlton also sounded a cautious note over its current trading, causing analysts to downgrade profit forecasts. Vickers shares closed at 210p, down 3p.

About 70 per cent of Cosworth's sales are to the Ford Motor Company, which it supplies with engines for the Sierra Cosworth models. Cosworth built more than 150 racing engines last year and commands about half the world's Grand Prix engine market. Its other customers include Mercedes-Benz, Maserati, Jaguar and Rolls-Royce Motor Cars.

Sir David Plastow, chairman of Vickers, said the group would consider putting Cosworth engines into its Roll-Royce and Bentley cars in the longer term.

The acquisition, which is subject to shareholders' approval, is also conditional on Vickers shareholders rejecting a proposal tabled by Sir Ron Brierley, the New Zealand businessman, to demerge Rolls-Royce Motor Cars. Sir Ron's UK investment vehicle, IEP Securities, has built up an 18.2 per cent stake in Vickers over the past two years, making it the biggest shareholder.

Sir David said the deal was conditional on the defeat of the IEP proposal because if Rolls-Royce Motor Cars was demerged, the industrial logic behind acquiring Cosworth would collapse.

However, the Vickers' chairman emphasised that he had started talks with Cosworth at the end of last year – long before Sir Ron suggested the demerger – and insisted that the acquisition of the specialist engine maker was in no way a blocking manoeuvre.

Mr Stuart Mitchell, managing director of IEP, said that on the face of it the Cosworth acquisition looked expensive and would dilute Vickers' earnings.

His company would recommend shareholders to oppose it when they met on April 26, he said.

Vickers will pay Carlton £80.5m in cash and issue non-interest-bearing loan notes of £65m and £18m payable on January 2 1991 and January 2 1992, respectively. Cosworth and its subsidiaries will be acquired with cash balances of £20m.

Vickers said that in the year to January 31, Cosworth made a profit before tax, management charges and exceptional items of £14.2m on sales of £52.7m. Net assets to be acquired by Vickers will be about £26.5m.

Engineers of the deal to win Cosworth: Michael Dunn (left) of Rolls-Royce Motor Cars and Sir David Plastow, chairman of Vickers

Mr Michael Dunn, engineering director of Rolls-Royce Motor Cars, will become part-time chairman of Cosworth. A former engineering director of Ford in Europe, he joined Rolls-Royce in 1983.

Announcing the disposal, Carlton said its revenues and profits had shown a respectable increase for the first four months of the current financial year. This wording was far more cautious than expected and analysts cut their forecasts for pre-tax profits in the current year from about £178m to between £160m and £165m.

Lex, Page 19; Driving off with Cosworth, Page 14; Markets, Page 33

'Significant' charge to be taken at Shearson

By Janet Bush in New York

AMERICAN Express and Shearson Lehman Hutton yesterday declined to quantify a charge which will be taken against Shearson's first-quarter earnings to cover restructuring costs at the brokerage subsidiary, but confirmed that it would be "significant."

Spokesmen from both companies said the estimate of a $700m to $800m charge by Standard & Poor's, the credit rating agency, was premature because a cost-cutting effort initiated at the end of January was still in progress.

The charge will also relate to certain costs likely to arise from a far-reaching strategic review of Shearson's business which is "in the final throes of stage one evaluation." Shearson hopes to make annual savings of $400m.

The Standard & Poor's estimate is believed to be the result of an internal analysis at the rating agency but the figures were discussed at a conference last week.

American Express and Shearson expect to announce the charge within the next two weeks. If it is as large as $700m to $800m, it would be by far the biggest charge related to a restructuring in Wall Street history, outstripping the $470m pre-tax charge taken by Merrill Lynch against its fourth-quarter earnings.

The spokesman confirmed the planned charge relates to severance payments to 2,000 employees laid off during the past few weeks, the cost of closing about 50 branch offices in the US and reserves against losses at Shearson's troubled Balcor property subsidiary.

T&N to buy JP Industries for $190m

By Clare Pearson in London

T&N, the engineering and automotive components group, is making its biggest acquisition in four years with a $190m recommended offer for J.P. Industries, the US vehicle parts company. The deal will be financed by a complicated rights issue to raise a net £127m ($203m).

The acquisition, T&N's largest since it paid £278m for UK engineering group AE in early 1987, will transform its position in an automotive components market where vehicle manufacturers are demanding localised support for increasingly international operations.

When the purchase of JPI is completed, T&N, which has so far had a heavy European bias, will see the North American contribution rise from about 11 per cent to about 25 per cent of sales.

Taking into account $176m of debt, the total price for JPI is $366m.

The offer values each share at $17.3 which compares with $13.5, the close on the New York Stock Exchange on February 21, the day before JPI announced it was in bid talks.

T&N's shareholders are initially being offered, on a one-for-three basis, one 75p unit of convertible stock, with a further equal amount to follow if the offer goes unconditional. But if that should not happen, the second instalment would be cancelled.

Mr Colin Hope, T&N's chairman, said he was confident the offer would become unconditional. But this could not happen until June at the earliest.

In the year to end-December, North America accounted for nearly 70 per cent of JPI's pre-tax profits. As translated on the basis of UK accounting practice, these stood at £14.6m (£13.1m) and net income at £11.3m (£10.5m).

Turnover, mainly derived from automotive components with a roughly even balance between original equipment and aftermarket sales, was £252m (£236m). Mr Hope said he believed JPI had performed better than some competitors in difficult market conditions, although it had ended last year over-stocked.

London market followers of T&N yesterday applauded the acquisition as a strategic move. But concerns that it would dampen short-term performance, already affected by a big European investment programme, afflicted the shares. They closed 19p down at 175p.

The immediate effect of the deal will be a sharp increase in T&N's gearing, currently about 31 per cent.

Davy links with Spie-Batignolles

By George Graham in Paris

DAVY, the UK's largest engineering contracting company, is acquiring part of Spie-Batignolles, the French construction concern, in a deal in which the French group will take a 14.7 per cent stake in Davy.

The British company is buying Spie-Batignolles' Clecim subsidiary, which designs and builds production plant for steel and other metals industries, and which made a pre-tax profit last year of about £8.3m ($13.4m) on sales of £232m.

Clecim will be merged with Davy's metals division, with which it has been a main competitor and which made a pre-tax profit of £19.75m on sales of £323m.

The deal is likely to be the start of further close links between Davy and Spie-Batignolles, which is getting 17.4m Davy shares, valuing the transaction at £41.1m.

The two groups are already discussing co-operation in contracting for chemical engineering plants, construction and aluminium. Mr Georges de Buffévent, chairman and chief executive of Spie-Batignolles, will sit on the Davy board, and Mr Roger Kingdon, Davy's chief executive, will take a seat on the board of the French group. "We are looking for a close, long term relationship with Spie-Batignolles and they are with us," Mr Kingdon said.

The deal is also a further sign of the slow move towards alliances and cross-shareholdings in European heavy engineering. Such deals include the formation of GEC Alsthom, the holding in TI taken by Mannesmann, and the 35 per cent stake now held by John Brown in Sofresid, a French process plant contractor. John Brown is Britain's second biggest engineering contractor after Davy.

Mr Kingdon said the deal would greatly strengthen Davy's contracting business for the metals industry, which would rise from 33 per cent to 44 per cent of Davy's total sales of about £1.17bn. The main benefit, he said, was in broadening geographic spread. Clecim is strong in France – with a strong relationship with Usinor Sacilor, the world's second biggest steelmaker – the Benelux countries and Spain, while Davy is stronger in the UK and North America. Both Davy and Clecim have operations in the US.

Though Clecim and Davy have competed head to head, the French business is stronger in downstream activities like steel galvanising lines, while Davy has the lead at the heavier end of steelmaking and in aluminium foil mills. Mr Kingdon said Davy would be the world's biggest metals engineering contractor.

Renault falls slightly to FFr8.8bn

By William Dawkins in Paris

RENAULT, the French state-owned car group, yesterday reported a small decline in 1989 net profits from a record FFr8.9bn to FFr8.8bn ($1.5bn).

The outcome, unveiled by Mr Raymond Levy, group chairman, is below industry estimates of a FFr10bn profit for the year to December.

It reflects two large one-off provisions, FFr1.3bn for the closure of the group's factory at Boulogne-Billancourt near central Paris and FFr1.9bn for retirement costs, said Mr Louis Schweitzer, finance director.

Moreover, Renault has budgeted for a FFr900m tax bill in 1989, after several years of paying little or no tax because of accumulated losses.

Group sales performed strongly in Europe, where unit sales of all types of vehicle, including trucks, vans and cars, rose by 5 per cent over the previous year, well ahead of the market's average 3.6 per cent growth.

The group sold just over 2bn vehicles of all types last year, 4.7 per cent more than in 1988, of which more than half, 1.1bn, were exported.

Most of the sales growth, however, came from the French market, as reflected by a slight decline from 52 per cent to 51 per cent in the proportion of turnover taken by foreign sales.

The car division boosted its pre-tax profits from FFr6bn to FFr8.2bn, but the contribution of Renault Véhicules Industriels, the truck division – which published its results last week – swung to a loss of FFr476m from a profit of FFr878m because of the larger than expected loss from Mack Trucks, its 45 per cent owned US affiliate.

At a consolidated level, after deducting for minority shareholdings, Renault's net profits rose slightly, to FFr9.3bn from FFr8.8bn, on turnover up by 8.1 per cent to FFr174.5bn from FFr161.4bn.

In spite of the slowdown in profits growth, coming after a year in which earnings had more than doubled, Renault continued to make improvements to its balance sheet. Net debts fell by FFr6.2bn to FFr17.6bn from FFr23.8bn, mostly thanks to improved cash flow, but also with the help of asset sales and a reduction in working capital requirements.

This resulted in a fall in finance charges to FFr2.2bn, or 1.2 per cent of turnover, from the previous year's FFr3.5bn, when they represented 2.1 per cent of sales. Shareholders funds stood at FFr22.5bn at the end of the year, up from FFr14bn. Investments meanwhile climbed by 42 per cent to FFr10.4bn from FFr7.3bn over the same period.

INTERNATIONAL COMPANIES AND FINANCE

Europeans watch software drama

Alan Cane considers the likely impact of a legal wrangle in the US

A judge in Cambridge, Massachusetts, will this Friday take the first steps in a ruling which is being watched keenly by several computer software companies in Europe as well as the US.

The judge will be deciding whether Mr Frank Dodge, founder and president of McCormack & Dodge (M&D), a leading US computer software house, resigned or was fired from Dun & Bradstreet (D&B), the business information group which has owned M&D since 1983.

The decision, which may prove to be only the first step in a protracted legal battle, will have important consequences for European software houses and for the US software and services industry.

The decision will determine whether Mr Dodge is bound by a "non-compete" clause in the *contract he signed with his former* employer which would force him to wait 12 months before setting up a new company to trade in business software.

A number of companies in the European computer software business have an active interest in the outcome.

If the ruling is that he resigned, Mr Dodge, one of the best-known figures in the US business software sector, will have to kick his heels for a year. If he is adjudged to have been sacked he can put into action immediately plans to sell European business software in the US.

Frank Dodge: did he resign or was he fired?

Mr Dodge believes that in certain kinds of advanced computer software European companies are as much as four years ahead of their competitors in the US, and he is anxious to take advantage of the situation. If he has to wait a year, as the non-compete clause in his contract stipulates, much of the initiative could be lost.

Mr Dodge left M&D on February 16 this year just three months after D&B announced it was acquiring Management Science America (MSA), another leading US computing services company and M&D's leading competitor in the market for business software running on large mainframe computers.

D&B said it intended to merge the two companies into a single unit, Dun & Bradstreet Software (DBS), appointing Mr John Imlay, the former head of MSA and another top US computer industry personality, as chairman and chief executive officer. Mr Dodge would be his deputy.

Mr Dodge's $1m suit against his former employer accuses D&B of breaching his employment contract, forcing him out of DBS through methods amounting to constructive dismissal and hindering his efforts to reestablish himself in the software business.

D&B's counter to Mr Dodge's suit, contained in a 105-page document submitted to the court earlier this month claims *that Mr Dodge refused a series* of high level positions with the company with a salary of $300,000 to $400,000 a year and that his law suit is filled with "serious misrepresentations and omissions."

The case is generating further unwelcome publicity for D&B at a time when it is attempting to recover from difficulties in its flagship US credit data services businesses, where it has already agreed to settle lawsuits totalling some $18m, and faces more. Customers alleged deceptive sales methods and inaccurate information.

It also underlines the difficulties faced by companies trying to establish themselves in the notoriously volatile computing services business.

D&B was noted for its "hands-off" style of management during the seven years of its ownership of M&D, during which time the company remained consistently profitable and the value of its investment rose from $65m to $365m.

Mr Imlay, whose own company has had a patchy commercial record over the past three years, said he believed Mr Dodge could not come to terms with being asked to play second fiddle; there was no personal animosity between them.

A D&B spokesman said that under the terms of the last job offer made to Mr Dodge he would have had charge of areas of DBS with revenues of about $100m, while Mr Imlay would have had charge of the company's principal activities in software for IBM computers with sales in excess of $300m a year.

Mr Dodge said this week that while he was upset over the way he had been treated, his only interest in suing D&B was to regain his freedom to operate in the software business.

Boston group bids $46m for Phoenix

By Louise Kehoe in San Francisco

NORWOOD Partners, a Boston investment group, has launched a $46m unsolicited takeover bid for outstanding shares of Phoenix Technologies, a computer software company that provides key systems software to the personal computer industry.

Norwood already holds an 8.3 per cent stake in the company.

Norwood, controlled by Daniel Barnett and Paul Reese, both officers of Boston-based Oasis Capital Management, a small Boston money management firm, intends to offer Phoenix shareholders the option of accepting $5 per share or to exchange their stock for non-voting shares in a newly formed corporation to be merged with Phoenix Technologies as a privately held company.

A one-time high flier in the personal computer software business, where it is the primary supplier of the basic input/output system (BIOS) program for IBM-compatible personal computers, Phoenix ran into problems last year when it began to diversify by developing a similar program designed to run on workstations compatible with those manufactured by Sun Microsystems.

Phoenix reported losses of $7.6m on sales of $52.6m for fiscal 1989, ended September, and first-quarter losses of $4.9m. The company said recently that it expected a similar loss in the current quarter.

Mr Barnett said: "We chose to move at this time because we're convinced that the long-term value of Phoenix can only be realised by taking the company private now rather than waiting any longer."

Phoenix Technologies said it was considering the Norwood proposal. The directors added, however, that the offer was subject to financing being obtained and the satisfactory completion by Norwood of a due diligence review.

Calling the Norwood proposal "an *illusory offer*," the Phoenix board said it believed any discussions with Norwood would not be in the best interests of the company or its stockholders.

Circle K slips under debt burden

By Karen Zagor in New York

CIRCLE K, the second biggest US convenience store chain, yesterday reported a net loss for the third quarter on falling sales as the company continues to suffer from the dual burdens of stiff competition in its main markets and high debt.

The Phoenix, Arizona-based company has been struggling under more than $1.1bn of debt it incurred during a six-year expansion programme when Circle K quadrupled its store base to more than 4,600.

Circle K attributed its latest losses to high interest and depreciation costs. The company's programme to increase revenues by raising prices has also backfired, and this contributed to the decline in sales.

The company said it would reduce prices in an effort to recapture lost sales, after reviewing its marketing and merchandising policies.

Circle K's net loss for the three months ended January 31 was $28.1m or 69 cents a share, against net income of $12.8m or 22 cents a share on a fully diluted basis in 1989. Revenues in the latest quarter slipped 2.5 per cent to $872.5m from $895.2m.

For the first nine months, the company reported a net loss of $25.5m or 72 cents a share compared with net profits of $38.5m or 69 cents a fully-diluted share a year earlier.

Revenues advanced 10.5 per cent to $2.83bn from $2.56bn.

Shares in the company plunged $⅛ to $1⅝ at mid-day yesterday on the New York Stock Exchange. Last year, the company's stock had traded as high as $16⅝.

Circle K, in common with other US convenience store chains such as 7-Eleven, has been hit by fierce competition from gasoline companies who have added convenience stores at petrol stations.

Furthermore, US supermarkets have been competing more aggressively for convenience store customers.

The company is still hoping to restructure without resorting to filing for protection under chapter 11 of the bankruptcy code.

Lafarge Coppée advances 16%

By William Dawkins in Paris

LAFARGE Coppée, the world's second largest cement producer, yesterday announced a 16 per cent increase in group net profits for last year. Sales, boosted by new acquisitions, advanced strongly, by 34 per cent.

Lafarge, which last June paid FFr5bn ($866.6m) for control of Cementia, the Swiss cement group, saw turnover jump from FFr22.7bn to FFr30.4bn.

It forecast further growth in the current year, to around FFr35bn. Adjusting for new acquisitions, turnover rose by an underlying 9 per cent.

Operating profits rose from FFr3.8bn to FFr5.1bn, while group net profits climbed from FFr1.88bn to FFr2.18bn.

Net earnings included the first FFr30m contribution from Lafarge's share in Asland, the leading Spanish cement producer controlled by Cementia.

Operating profits rose in the cement, concrete, granulates and construction materials divisions on the back of a growth in construction activity in all main markets, except the US where Lafarge nevertheless managed to increase its market share.

Cement is by far the biggest contributor to operating profits, up from FFr2.3bn to FFr3.3bn, representing 65 per cent of the total.

Operating profits in the plasterboard division fell from FFr325m to FFr234m, reflecting growing international price competition in a European market which had until recently been fragmented into national segments, said Mr Bertrand Collomb, who took over as chairman following the retirement of Mr Olivier Lecerf last August.

Profits in the biotechnology division, which includes seeds – which made a loss – and food additives, fell from FFr219m to FFr212m.

Hongkong and Shanghai picks deputy chief

By John Elliott in Hong Kong

HONGKONG and Shanghai Banking Corporation announced yesterday that Mr John Gray, executive director in charge of finance, is being appointed deputy chairman from May 8 in succession to Mr Frank Frame, who is retiring from the post.

Mr Gray, aged 55 and the third generation of his family to work for the bank, will continue to carry out the finance director's functions, which he has handled since December 1986.

Mr Frame, 60, is to remain a director and is to work full time on long-term strategy at a time when the bank is preparing to develop its relationship with Midland Bank of the UK.

Six months ago Mr Frame gave up his duties as the bank's legal adviser, which was his first position when he joined the bank in 1977.

Recalled KIO chief resigns from group

By Maurice Samuelson

MR FOUAD JAFFAR, until recently general manager of the Kuwait Investment Office in London, has resigned from the Kuwait Investment Authority, the umbrella body to which the KIO was officially answerable.

The KIO, which Mr Jaffar headed for the past 20 years, yesterday confirmed that he had resigned in Kuwait on Saturday.

The office refused to comment on the reasons. However, the resignation follows a prolonged power struggle over control of the Gulf emirate's international investment network, which has assets valued at about $100bn.

The Kuwaiti newspaper Al-Qabas, which reported Mr Jaffar's departure from the investment authority yesterday, also named Sheikh Fahd Mohammed al-Sabah, a member of the ruling family, as the new acting director of the London investment office.

Al-Qabas said Mr Jaffar's resignation had been accepted by Mr Jassem al-Khorafi, Finance Minister, who heads the investment authority.

Mr Jaffar, a Leeds University graduate and investment specialist in his early 40s, had returned reluctantly to Kuwait following the earlier recall there of four of his portfolio managers.

The struggle for control of the KIO had intensified following Kuwait's embarrassment over giving up much of the 21.7 per cent stake it had acquired in British Petroleum because of British anxieties over foreign control of a key UK oil company.

It was forced to do so despite attempts by the KIO to depict the purchase of the shares as a straightforward commercial operation.

The KIO holding in BP was increased when the British Government sold its remaining BP shares.

The Kuwait Investment Authority was set up in the 1980s as an umbrella for the KIO's operations. For a number of years, it has tried to exert control over the KIO. Mr Jaffar's resignation indicates that it has finally succeeded.

CGE set to take control of nuclear plant builder

By William Dawkins in Paris

CGE, the French telecommunications and engineering group, was yesterday poised to take a majority stake in Framatome, the leading nuclear power plant builder, in which it already owns 40 per cent.

It was on the point of agreeing to purchase the 12 per cent of Framatome held by Dumez, the construction group, lifting its total stake to 52 per cent, said CGE officials. In exchange, Dumez would take two thirds of CGE Distribution, CGE's electrical equipment distribution subsidiary, with a turnover of FFr2.6bn ($452m).

Analysts estimate the value of the share exchange, which is not being made public, at between FFr1bn and FFr1.2bn.

The deal, to be finalised before the end of April, comes in spite of opposition from Mr Jean-Claude Leny, Framatome's chairman, and would make the public sector shareholders in the nuclear plant builder a smaller minority.

CGE is the biggest shareholder, with a 40 per cent stake, followed by the CEA, the French atomic energy authority, with 35 per cent and EDF, the public electricity utility, with 10 per cent.

Framatome has forecast a 31 per cent fall in 1989 profits to FFr732m, despite an 80 per cent rise in turnover to FFr19.6bn.

"Dumez is keen to join CGE Distribution to its electrical equipment subsidiary, Groupelec, to "constitute the kernel of a general electrical equipment distributor with a European vocation," said CGE.

Meanwhile, CGE would keep a 34 per cent stake in CGE Distribution and continue to "participate in its development."

● Usinor Sacilor, the French state-controlled steel producer, has expanded its international reach, AP-DJ reports.

Ugine ACG has struck a deal with Tolmatil, a unit of Belgium's steel company Cockerill Sambre, to buy Tolmatil's operations for making special steel plates for electric motors.

Another Usinor unit, Unimetal, intends to buy 50 per cent of the capital of Georgetown Steel, a US producer of mechanical wire.

● BSN, the French food group, announced growth of 1989 net profit after payments to minority interests by 28 per cent to FFr2.68bn ($466m).

● Valeo, French car parts group, said consolidated net profit after payments to minority interests rose to FFr936m in 1989, from FFr817m in 1988. Revenue rose to FFr19.5bn against FFr16.5bn.

Renault slips after provisions

By William Dawkins in Paris

RENAULT, the French state-owned car group, yesterday reported a small decline in group net profits to FFr8.8bn ($1.5bn) last year from the record FFr8.9bn of 1988.

The result, unveiled by Mr Raymond Lévy, group chairman, is below industry estimates of a FFr10bn profit for the year to December. It reflects two large one-off provisions: FFr1.3bn for the closure of the group's factory at Boulogne-Billancourt near central Paris, and FFr1.9bn for retirement costs, said Mr Louis Schweitzer, finance director.

Moreover, Renault has budgeted for a FFr900m tax bill in 1989, after several years of paying little or no tax because of accumulated losses.

In Europe, unit sales of all types of vehicles, including trucks, vans and cars, rose by 5 per cent over the previous year, ahead of the market's average 3.6 per cent growth.

The group sold just over 2bn vehicles last year, 4.7 per cent more than in 1988, of which more than half, 1.1bn, were exported.

Most of the sales growth came from the French market, as reflected by a slight decline from 52 per cent to 51 per cent in the proportion of turnover due to foreign sales.

The car division boosted its pre-tax profits from FFr6bn to FFr8.2bn, but Renault Véhicules Industriels, the truck division – which published its results last week – swung from a profit of FFr678m to a loss of FFr476m because of the larger than expected loss from Mack Trucks, its 45 per cent-owned US affiliate.

Florence insurer sells 20% stake

By Haig Simonian in Milan

LA FONDIARIA, the Florence-based Italian insurer, has agreed to sell a 20 per cent stake in its main operating company, La Fondiaria Assicurazioni, to Group des Assurances Mutuelles Agricoles (GroupAMA) of France as part of a three-way deal valued at some L560bn ($444m).

The transaction, which will take place at L16,400 a share, will leave La Fondiaria's holding company with a 54 per cent interest in La Fondiaria Assicurazioni.

Simultaneously, GroupAMA is buying a 5 per cent stake in GAIC, the financial group controlled jointly by Mr Camillo De Benedetti and Ferruzzi Finanziaria, for L180bn, with a commitment to participate in GAIC's imminent rights issue.

In the third part of the deal, the French group is spending a further L14bn on a 40 per cent share in ASFER, the holding company controlling the majority of shares in Bavaria Assicurazioni, a small Italian insurer specialising in cover for the agricultural sector.

La Fondiaria will retain 50 per cent of ASFER, with the remaining 10 per cent divided between Ferruzzi Finanziaria and Eridania, two members of the Ferruzzi group.

'Significant' charge to be taken at Shearson

By Janet Bush in New York

AMERICAN Express and Shearson Lehman Hutton yesterday declined to quantify a charge which will be taken against Shearson's first-quarter earnings to cover restructuring costs at the brokerage subsidiary, but confirmed that it would be "significant."

Representatives of both companies said an estimate of a $700m to $800m charge by Standard & Poor's, the credit rating agency, was premature because a cost-cutting effort initiated at the end of January was still in progress.

The charge will also relate to costs likely to arise from a strategic review of Shearson's business which is "in the final throes of stage one evaluation." Shearson hopes to make annual savings of $400m. The S & P estimate is believed to come from an internal analysis at the rating agency.

American Express and Shearson expect to announce the charge within the next two weeks. If it is as large as $700m to $800m, it would be the biggest charge related to a restructuring on Wall Street, far outstripping the $470m pre-tax charge taken by Merrill Lynch against its fourth-quarter earnings.

The representatives confirmed that the planned charge related to severance payments to 2,000 employees laid off over the past few weeks, the cost of closing around 50 branch offices in the US and reserves against losses at Shearson's troubled Balcor real estate subsidiary.

Balcor is estimated to have a portfolio of $1.1bn in problem real estate loans, but Shearson has reserves of only $10m against potential losses.

American Express and Shearson yesterday formalised its decision last month to inject another $750m of fresh capital into Shearson and to buy back all outstanding common shares of the securities subsidiary.

Under a sweetened, definitive merger agreement each publicly held share of Shearson will be converted into 0.48 of a share of American Express, compared with the previous ratio of 0.426.

Banks aim to make sense of double Dutch deal

Laura Raun on Amro and ABN's planned merger

As Amsterdam-Rotterdam Bank says in its advertising slogan, "Being Dutch isn't enough." So now it's going double Dutch.

Amro, the biggest bank in the Netherlands, and Algemene Bank Nederland, number two and arch rival, plan to merge as soon as possible to create a powerful home base as a launch pad for rapid expansion abroad. If the marriage goes through the new bank would rank sixth in Europe and 19th worldwide, and would aspire to be a global player in selected niches including trade finance, merchant banking and private banking.

Some securities analysts, however, question whether such a new bank would possess the expertise and resources to compete worldwide in merchant and private banking. Consolidating the pair's operations, especially its huge branch network in the Netherlands, will cost before it saves money, they reckon.

"Neither consumers nor corporate borrowers will benefit immediately," predicts Mr Matthew Czepliewicz, a banking analyst for Credit Suisse First Boston in London. "There are a lot of cultural differences. But in the long term it is a good move and there will be savings."

Investors reacted mutedly yesterday, their first opportunity to respond to the startling announcement on Monday, when share trading in the two banks was suspended. Shares in both were initially bid up, but closed only slightly higher, ABN at Fl 40.20 (Fl 40.10) and Amro at Fl 80.60 (Fl 79.10).

To demonstrate convincingly the merits of their deal ABN and Amro must succeed in the market niches they have selected, cut costs and improve profitability. Higher share prices, which are at historical lows, would be welcome.

Amro comes to the engagement soon after splitting with Générale de Banque Bank of Belgium, with whom the Dutch bank had forged a strategic alliance with an eye toward eventual marriage. But Amro and Générale refused to give up enough sovereignty to make the merger work.

Last September Amro and Générale scaled back their co-operation, which could shrink further now.

Amro can little afford another soured relationship and appears committed to this merger. Likewise, ABN seems relieved to have a partner, despite its earlier talk of braving the banking jungle alone.

The couple is beginning to negotiate the marriage contract in earnest only now, hoping to achieve a full merger within months. Mr Robert Hazelhoff, chairman of ABN, said haste was demanded by the rapid pace of world events.

With combined assets of Fl 353bn ($183bn), about 55,700 employees and 1,473 branches in its home market, the new institution would dominate the Netherlands. But some competitors – notably foreign banks – expect a windfall from corporate clients turning from a kind of "bank monopoly."

Despite dominant shares of the corporate and retail markets in the Netherlands, the Dutch Finance Minister and Central Bank have already given their blessing to the planned marriage. Even Mr Hazelhoff and Mr Roelof Nelissen, Amro chairman, admit that such approval before the heat of 1992 would have been doubtful.

Cultural differences between the two banks are bigger than one might expect from the two biggest banks in a relatively small and cosy home market.

Both are products of mid-60s mergers, but ABN prides itself on conservatism, stability and reliability. Tracing its roots to an 1824 charter from King Willem I of the Netherlands, ABN has made its name catering to blue chip companies and creating a globe-straddling network of foreign branches.

Amro is more aggressive, having rapidly carved out an impressive market in international securities underwriting through several big Dutch privatisations and issues last year. Its management is younger and more dynamic.

Mr Hazelhoff and Mr Nelissen were vague on exactly how their merger would take place. But most analysts expect them to form a holding company to issue new shares in exchange for existing ones at a rate of one Amro share and two ABN shares for one new holding company share.

Given its high hopes of becoming a global player, the Dutch couple has singled out trade finance as a key activity, having 375 branches overseas.

But analysts are more sceptical about the new bank's competitive edge in merchant banking, where neither partner has the clout abroad that it has at home.

Opinion is divided on whether Amro's merchant bank subsidiary Pierson, Heldring and Pierson, or ABN's merchant bank subsidiary Bank Mees and Hope, will be sold. Some analysts believe one must be to avoid overlap, while others argue that selling would amount to "throwing the baby out with the bath water," since skilled merchant bankers will be needed.

Also the new Dutch duo would seek to make a name for itself in private banking, building on ABN's experience with well-heeled clients. But whether it could catch up with the major international banks is in doubt.

At least 15 per cent of the domestic branch network and labour force need to be cut to yield genuine savings, analysts say. Dutch trade unions yesterday demanded a "social plan" to ensure no forced lay-offs. The banks rejected the demand.

Mr Czepliewicz estimates that ABN and Amro together would lose about Fl 265m this year if they immediately absorbed the restructuring costs. But over longer they could save Fl 670m, he adds.

He expects little earnings dilution this year from a merger. But he warns: "Investors are frustrated with ABN, which keeps saying 'just wait until next year' for less earnings dilution. Over the short term these costs won't help that frustration although in 10 years they probably will."

The newly merged bank would boost Amsterdam's hopes of becoming a financial gateway to continental Europe, according to the two chairmen. To others the link is less clear.

INTERNATIONAL COMPANIES AND FINANCE

Writedowns hold back Hypo Bank

BAYERISCHE Hypotheken und Wechsel-Bank, the Munich-based mortgage and commercial banking group, said group net profit rose 11.0 per cent in 1989 to DM284.7m ($168m) from DM256.5m a year earlier, AP-DJ reports.

Group partial operating profit, which does not include income from the bank's trading for its own account, rose 2.1 per cent to DM1.01bn from DM984.4m a year earlier.

At the parent bank, partial operating profit rose 6.1 per cent, but full operating profit, which suffered from writedowns on the value of bond holdings increased only 1.1 per cent. Bond writedowns totalled DM79.8m, more than double the 1988 total of DM32.6m.

Hypo Bank none the less cited an unusually strong rise in its underlying business last year and the profit developments were "pleasing." The company noted continued strong credit demand in the first two months of 1990, but cautioned that there has been an ongoing increase in margin-tightening interest rates as well.

Hypo Bank said it wants to establish "a comprehensive network of offices" as soon as possible in East Germany. The bank said it has already has set up 18 "contact bureaux" in the country.

Metallgesellschaft sees price fall slowing growth

By Katharine Campbell in Frankfurt

WEST German metals, mining and engineering group Metallgesellschaft expects an increase in sales and profits of at least 10 per cent for the first six months to March 1990, allowing the company "to meet its targets" for the rest of the year.

But both sales and income growth will be slower than in the previous two years because of the recent fall in metal prices, particularly aluminium and nickel. Mr Heinz Schimmelbusch, the chairman, yesterday said that the expected continued growth, despite the less favourable metals price environment, vindicated the company's diversification strategy over recent years.

For the entire year 1988/89, the company has already reported net income of DM204.6m ($119.3m), up 32 per cent on the previous year, on sales worth DM20.1bn, also representing a rise of 32 per cent.

In presenting the results, Mr Schimmelbusch yesterday warned against excessive "euphoria" in the wake of events in East Germany. "Short-term profits cannot be expected," he said.

Repsol raises cash flow and plans to trim staff

By Tom Burns in Madrid

REPSOL, the Spanish state-controlled integrated oil giant which was partially privatised last year, raised its 1989 net profits by 15 per cent to Pta64.4bn ($596m), Mr Oscar Fanjul, chairman, said yesterday. Repsol's cash flow was up by more than 17 per cent on 1988 to close on Pta146bn.

Provisions for employee pension funds and for a planned trimming of the company's labour force represented Pta24bn. Repsol will pay out a pre-tax dividend of Pta90 per share. Pta40 was paid as an interim dividend in December and Mr Fanjul said the outstanding Pta50 would be paid on June 30. In future years, the dividend payout would represent between 40-50 per cent of net profits.

Stressing that Repsol did not own any shares in its own business (treasury stock is common in Spain) and that it had played no part in fixing the price of the company's shares, Mr Fanjul said: "Repsol's price has been formed in conditions of maximum transparency." A priority would be to increase its quota of Spain's natural gas market and to contribute to this sector's "excessive fragmentation."

Restructuring returns Gechem to profitability

GECHEM, the Belgian chemical concern, swung into profitability in 1989, posting a consolidated group after-tax profit of BFr2.87bn ($80.6m) compared with a loss of BFr5.09bn in 1988.

Sales of traditional products dipped by about 2 per cent to BFr43.45bn from BFr44.33bn in 1988. Gechem said it would propose to its general meeting in June an after-tax dividend of BFr26.25 a share to holders of preferred stock,

The turnaround came during a year of restructuring, during which Gechem shed some key subsidiaries and acquired other businesses.

Ambroveneto joins Italian bank trend of rising profit

By Haig Simonian in Milan

NET PROFITS at Banco Ambrosiano Veneto (Ambroveneto), Italy's largest private-sector bank, rose by 15 per cent to L142.9bn ($118m) last year.

The results for the bank, which took its present form after the merger of Nuovo Banco Ambrosiano and Banco Cattolica del Veneto last year, compare with the L50bn and L74bn reported by the two banks respectively in 1988.

Reflecting the upbeat trend in a string of recent Italian bank results, Ambroveneto is raising the total amount being paid in dividends to L75bn, 20 per cent higher than the combined level paid by the two banks while independent. Ordinary shareholders will receive L120 a share, while the bank's three classes of savings share will be paid between L70 and L140 each.

On a consolidated group basis, loans to customers jumped by 28.3 per cent to L12,851bn, while deposits increased by 14.4 per cent. Total assets at year end, excluding contra accounts, amounted to L25,025bn.

Siemens and SGS-Thomson link

SIEMENS, the West German electronics group, said it will immediately begin to co-operate with SGS-Thomson Microelectronics, the Franco-Italian semiconductor group, in high capacity micro controllers, Reuter reports from Munich.

Siemens said the aim of the co-operation was to bring to the markets integrated solutions for high-capacity eight- and 16-bit micro controllers. As part of the co-operation each group would become a second source for products for the other. SGS Thomson was formed from a merger between the chip activities of France's state controlled Thomson-CSF and Italy's state-owned Stet Spa Ord in July 1987.

Paribas set for top-level shake-up

By William Dawkins in Paris

PARIBAS, France's top merchant bank, will tomorrow pave the way for Mr Michel François-Poncet, the chairman, to hand over executive decision-making to the current head of the group's biggest subsidiary, but he will retain control over broad strategy.

The shake-up, in which Mr André Lévy-Lang would move from his present job as president of the Compagnie Bancaire consumer lending and mortgage finance group to become Paribas' chief operating officer, is set to be the biggest at the top of Paribas since Mr François-Poncet took over in 1986.

This follows the recent costly failure of Paribas' bid for Navigation Mixte, the food to financial services conglomerate, which unexpectedly counter-attacked by buying 12 per cent of Paribas' shares, making it the privatised bank's biggest single shareholder – an unwelcome presence.

Paribas' confirmation that a big management change is on the way comes after a day in which nearly 2.4 per cent of Paribas' capital has changed hands, bringing to 6.3 per cent the total turnover on the Paris market alone since last Thursday, when the current bout of speculation began. Heavy buying has been variously attributed both to allies of Paribas and Navigation Mixte but no holder has officially announced a big increase in its stake.

The proposal is also the outcome of a longer-running debate between Paribas, its shareholders and its former government owners over the desirability of allowing one man, even as skilled as Mr François-Poncet, to have so much control over the fate of what is France's fourth largest bank, say observers. The Government has an important voice in Paribas' affairs as owner of some of its leading institutional shareholders.

The change will be adopted in principle at tomorrow's regular board meeting, at which Paribas' annual results will also be ratified, for final agreement at an extraordinary meeting of shareholders at the end of April or in early May. Last year's net profits are expected to have risen by 30 per cent to FFr3.4bn ($588m), well ahead of Paribas' original forecast.

Navigation Mixte will be an important voice at the shareholders' meeting needed to approve the change, although Paribas officials point out that Mr François-Poncet had 65 per cent of the votes behind him at the last shareholders' meeting last month. Seeking an accord with Navigation Mixte would be one of Mr Lévy-Lang's top priorities.

André Lévy-Lang: an innovative leader

The proposal, which is understood to have Mr François-Poncet's support, would replace the current single management board with a two-tier arrangement, a supervisory body responsible for setting strategy, under the chairmanship of Mr François-Poncet and an executive management board under the chairmanship of Mr Lévy-Lang.

Paribas' main shareholders would be represented on the supervisory board, while the executive body would include five to six bank directors drawn from the current board.

The plan, agreed in outline over the weekend, is the outcome of several months of intense behind-the-scenes discussion among Paribas management and shareholders. Paribas executives were keen to get more management say in the wake of the failure of the bid for Navigation Mixte, while foreign investors were also pressing for better representation for similar reasons, observers say.

Paribas officials point out that the two-tier organisation, similar to West German practice, would not be a significant break with the past, since the bank was run on those lines before nationalisation.

The main alternative to Mr Lévy-Lang, who has won a reputation as a popular and innovative leader at Compagnie Bancaire, was Mr Gérard Eskenazi, head of Pargesa, the financial holding group which owns 5.5 per cent of Paribas.

Mr Eskenazi had little support from the Government, a legacy of his opposition to the nationalisation of Paribas in 1982 when he was its managing director. The bank was privatised by the right-wing administration in 1987.

Another deciding factor was the decision of UAP, the largest state-owned insurance company, which owns 5 per cent of Paribas, to support Mr Lévy-Lang in preference to Mr Eskenazi.

Pargesa to hold dividend despite write-off

By William Dullforce in Geneva

PARGESA HOLDING, the Swiss parent of the financial and industrial group headed by Mr Gérard Eskenazi and Mr Albert Frère, plans to pay shareholders an unchanged dividend for 1989 in spite of taking a SFr200m ($130m) loss on the collapse of Drexel Burnham Lambert, the New York investment bank.

Net consolidated earnings for 1989 stood at SFr204.6m but the board yesterday approved the complete write-off of Pargesa's 13 per cent indirect stake in Drexel, which filed for bankruptcy last month after running into liquidity problems with its junk bond operations. On February 15 Pargesa had said it intended taking the loss on to its 1989 account.

The consolidated net profit of SFr4.6m compares with the SFr160.2m the group posted in 1988 and the SFr106.5m it reported at the half-way stage in 1989.

Pargesa Holding's statutory accounts for 1989 show a net income of SFr80m, or SFr69.2 per share, down from SFr90m, or SFr82.3 per share in 1988. The decrease reflects the Drexel write-off. The dividend is maintained at SFr65 a share.

Last year Pargesa increased its capital by SFr312m through a rights issue and a convertible bond, enabling it to subscribe to capital increases in Groupe Bruxelles Lambert in Belgium and Parfinance of France, and to raise its stake in both companies. At the end of the year Pargesa held 31.1 per cent of GBL and 28.6 per cent of Parfinance.

Shortly after Drexel filed for bankruptcy last month, Mr Paul Desmarais, chairman of Power Corporation of Canada, announced that he was increasing his stake in Pargesa to 25 per cent and would co-operate more closely with Mr Frère and Mr Eskenazi in developing the Swiss-based holding company.

Murchison mine may be forced to shut down

By Jim Jones in Johannesburg

CONSOLIDATED Murchison, the South African mining company which produces about 12 per cent of the world's antimony, is on the brink of closure.

Murchison's mine, near the northern Transvaal town of Gravelotte, employs about 1,600 miners and has been running at a loss since mid-1989 as world antimony markets became oversupplied and the company's sales deteriorated. Problems were compounded by a decline in gold production as residue dumps became depleted.

Mr Michael Hawarden, the chairman, said a decision on the mine's future would be taken within three weeks, but was reluctant to elaborate until then.

In his 1989 chairman's statement he warned that production of antimony sulphide concentrates was unlikely to increase in 1989-90 and that sales would be restricted to current production levels as concentrate stocks had been run down to low levels. However, he postulated an increase in mining rates over time as there was a ready demand for concentrates even though prices were depressed.

In the last financial year the mine produced 8,838 tonnes of antimony concentrates with a 58.85 per cent metal content. Johannesburg mining analysts believe expansion is no longer a prospect and that Murchison is having difficulty selling its concentrates. They say the mine is unlikely to re-open, should it close.

Murchison has been one of the most reliable suppliers of clean concentrates for many years.

Murchison's financial difficulties grew during the final six months of 1989 as the operating loss rose to R4.9m ($1.144m). This, coupled with capital expenditure of R2.4m, eliminated the mine's end-June net current assets of R8.5m. Further losses have been incurred in this year's March quarter and the mine's controlling shareholders are undecided about financing further losses.

Cathay Pacific 17.6% ahead

By John Elliott in Hong Kong

CATHAY PACIFIC Airways, Hong Kong's international air carrier which is a listed subsidiary of the Swire Pacific group, yesterday declared attributable net profits of HK$3.32bn (US$425.6m) for last year, up 17.6 per cent. Turnover was up 14.4 per cent to HK$17.28bn.

During the year Cathay operated on a load factor of 75.6 per cent which was marginally above the previous record level achieved in 1988. Profits were hit by increased costs, but there was a "substantial improvement" in returns from invested funds, the company said.

A total of 7.1m passengers was carried during the year, a 14.5 per cent rise, and passenger revenues grew 17.1 per cent to HK$13.60bn.

A weaker yen partly accounted for a reduction in the long-term unrealised exchange loss on foreign currency financing from HK$4.16bn at the end of 1988 to HK$2.73bn on December 23.

Cathay has been in the headlines during the last few months because it has taken joint control with Peking-owned China International Trust and Investment Corporation (Citic) of Dragonair, Cathay's small local rival. Next month it is handing over to Dragonair its flights to Peking and Shanghai, but it hopes to benefit overall through its new 30 per cent stake (plus a further 5 per cent held by Swire Pacific) from an expected gradual expansion of Dragonair's China services.

The company said load factors in 1990 were expected to remain high, particularly for passenger traffic. Capacity is planned to be increased by 20 per cent to meet the demand. Last year capacity was boosted by 9.2 per cent.

A final dividend of 31.5 cents is being recommended, making a total for the year of 42 cents, up from 38 cents.

- *Television Broadcasts* (TVB), a local station, showed a 16 per cent drop in 1989 after-tax profits to HK$357m, due mainly to soaring staffing costs and stiff competition, AP-DJ adds.

Turnover rose 8 per cent to HK$1.34bn, and the total dividend is being lifted to 60 cents from 50 cents. The group was reorganised in November 1988. The spun-off TVE (Holdings) edged up net profit 2 per cent to HK$49m.

INTERNATIONAL CAPITAL MARKETS

Gulf banks fall back on hard sell tactics

A senior oil company executive in the Gulf said: "Banks in this region are a nuisance. They pester us endlessly with unsolicited phone calls offering to lend money and provide financial advice."

The complaint reflects the growing aggression of banks in the region as they seek desperately to drum up new business.

Since 1984, the number of offshore banking units based in the Gulf island state of Bahrain has fallen from 74 to 55. International bankers expect the trend to continue. They predict that more smaller OBUs will be forced to cease operations in coming months and that the bigger banks will reduce their presence further.

In recent months there has been a marked improvement in the economic environment of the Gulf states following the ceasefire – nearly two years ago – in the war between between Iraq and Iran and an upturn in crude oil prices.

Gulf states have begun a cautious programme of new investments including aluminium projects in Bahrain, Dubai and Saudi Arabia; big fleet expansions are planned by the Bahrain-based Gulf Air and Dubai's Emirates airline; and

Hunter Reynolds on a new era of growing competition among banks in Bahrain

programmes to increase crude oil and natural gas capacity are underway in Saudi Arabia, UAE, Qatar and Oman. Most projects are expected to, or already have, result in capital issues.

But international bankers in the region complain of their inability to capitalise from the reconstruction of either Iran or Iraq. The former has embarked on a strict policy of not borrowing from western banks while Iraq has borrowed directly from banks in the West bypassing the regional banking centre in Bahrain.

In spite of the modest upturn in growth, foreign banks are being squeezed by increased competition from local Arab banks. Many areas which used to form the core business of the foreign OBUs such as straight commercial lending and trade finance, are being taken over by local banks which have started to compete with ever-increasing effectiveness.

Bahrain has also lost its time zone advantage which in the past made it a centre of regional treasury operations. Better communications and a willingness by other markets to work longer hours has meant that most treasury business has been switched to Singapore or London.

Bahrain's OBUs have been left to chase after the financing of the few large projects coming out of the Gulf Co-operation Council states. The fact that most of the region's significant infrastructure programmes were completed before the recession in the mid-1980s means the number of new projects will be limited. And bankers add that tougher capital adequacy rules – which, with the exception of Saudi Arabia, place most Gulf states in a high-risk category – will act as a distinct disincentive to bank lending in the region.

Lloyds Bank of the UK moved out of Bahrain in 1987, setting up its regional operations in Dubai. "There is increasing competition for resources especially from Europe for civil engineering projects," says Charles Neil, Lloyds' area manager. "The capital adequacy rulings mean the Gulf is no longer as attractive for foreign banks." Local Arab banks with access to cheap funds from local depositors and which traditionally have been prepared to accept a lower return on assets are expected to fill the gap.

The large foreign banks, especially the US banks, are looking to fee-generating business as a way of staying in the market. In particular, they are offering their expertise in sophisticated capital market operations to local institutions. "We are trying to move up-market," says the head of one US bank. "We want to offer products like currency options, portfolio management, securitisation, underwriting of loans, and financial advice."

Increasingly, foreign banks are looking for link-ups with local institutions; strategic alliances in which the domestic banks bring the clients and the foreign banks offer the expertise.

"We are are here by virtue of history and because we need a centre in the Middle East," says the head of a big US bank. "But the fact is that I've inherited a structure that does not fit the business I want to do."

Many bankers find themselves in just this position. A further round of rationalisation by banks in Bahrain looks firmly on the cards.

Frankfurt unveils plans to update clearing system

By Katharine Campbell in Frankfurt

THE state of Hesse's central bank in Frankfurt yesterday unveiled plans to modernise the interbank clearing system and make the West German financial markets more attractive to investors.

A pilot group of 14 domestic and international banks has begun to hook up to the electronic clearing system which – if all goes well – will eventually replace the existing process involving messengers and countless pieces of paper. The pilot phase will last about six months.

In the general move to catch up with other European financial markets, the West Germans are leaning heavily on technology. The German derivatives exchange, opened in January, is fully computerised: and there are plans for the electronic trading of leading domestic equities by the end of this year.

Meanwhile, Hesse's initiative further confirms the concentration of new systems in Frankfurt and the further erosion of regional stock market configurations. Some 97 per cent of domestic and foreign D-Mark payments by value (around DM400bn daily on average) is in Frankfurt, although the concentration in terms of number of transactions is much less.

The new clearing system is in principle similar to existing networks in other financial capitals – such as Chips in New York, Chaps in London and Sagittaire in Paris.

However, the regional bank has made use of more recent technology to provide an interface with banks' existing in-house systems instead of having a single, and very costly, hardware and software network which participants have to acquire.

The system is being introduced gradually. Turnover on the first day was around DM11bn, rising to DM20bn yesterday.

The 14 pilot banks, which should all be hooked up by Easter, accounted for about two-thirds of the daily turnover under the old system.

When the system is properly functioning the participants will know the final status of their cleared positions three hours earlier than under the old paper-laden and labour intensive process – consequently reducing their costs and risks.

Between 40 and 60 institutions are expected to sign up for the clearing process at a cost of between DM100,000 and DM500,000 per member, depending on how advanced their existing in-house systems are.

More may be interested as the Bundesbank proceeds over the next couple of years with its so-called "open communication" project which involves further electronic interfaces with the banking system, and which will also allow a greater computerised exchange of information between individual banks themselves.

Success for Polish bank issue

By Christopher Bobinski in Warsaw

THE public share subscription aimed at privatising Bank Inicjatyw Gospodarczych, the small Polish commercial bank, has been "significantly over-subscribed".

The successful conclusion of the share issue, open to foreign investors as well as the Polish private sector, means that the shareholding in Bank IG held by state sector companies has fallen from 99.8 per cent to 41.3 per cent. Last autumn another newly formed Polish bank, Bank Komunalny in Bydgoszcz (BBK), sold 9,985 shares at the equivalent of $790,000 lifting to 56 per cent the private sector share of the bank's capital.

The BBK is planning a further issue of shares next month which will be open to foreign investors and allow them to purchase up to 20 per cent of the issue, a limit set by the central bank.

At the Bank IG, 1,003 applicants offered to buy 22,857 shares against the 15,000 shares which went on sale in mid-February.

Foreign investors, which will be limited to 20 per cent, applied to buy 39.4 per cent of the issue.

The issue was advised by First Europe Equity and Bond which is based in London.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on March 27

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8¾ 96	750	96⅛	96⅜	−0⅛	+0⅛	9.34
Alberta 9¼ 95	600	100⅛	100⅝	0	+0⅛	9.26
Austria 9⅛ 95	140	101⅛	101⅝	0	+0⅛	9.08
B.F.C.E. 8¾ 94	175	96⅛	97⅛	0	+0⅛	9.25
B.F.C.E. 9¼ 95	150	99⅞	100⅛	0	+0⅛	9.23
Brit. Tel. Fin. 9¾ 95	250	†100⅛	100⅝	0	+1⅛	9.29
Canada 9 96	1000	100⅛	100⅝	0	+0⅛	8.91
C.C.C.E 9¼ 95	300	100	100⅛	+0⅛	+0⅛	9.18
Cr.Local France 8¾ 99	250	96⅛	96⅝	0	+0⅛	9.40
Credit National 7¾ 92	100	96⅛	97⅛	0	+0⅛	9.08
Credit National 9¼ 92	160	†100⅜	101	0	+0⅛	9.15
Denmark 8¾ 94	150	95⅞	96⅛	0	+0⅛	9.30
E.E.C. 7 91	100	96⅛	97⅛	0	+0⅛	9.02
E.E.C. 10 93	140	†101⅝	102⅛	0	+0⅛	9.29
E.I.B. 8¾ 99	150	95	95⅛	0	+0⅛	9.27
Eurofima 10¼ 93	100	†102⅝	102⅝	0	+0⅛	9.48
Elec. De France 9⅛ 98	200	100⅞	101⅛	0	+2⅛	9.33
Finland 9 96	250	98⅛	99⅛	0	+0⅛	9.23
Finn.Exp.Cd. 8⅞ 92	200	98⅛	99⅛	−0⅛	+0⅛	9.14
Finn. Exp. Cd. 9⅞ 95	200	†99⅞	100⅛	0	+0⅛	9.35
Ford Motor Credit 8 93	250	†98⅛	99⅛	0	+0⅛	0.09
G.E.C.C. 10⅛ 91	300	101⅛	101⅝	0	+0⅛	0.09
G.M.A.C. 8¾ 94	500	†96⅞	97⅛	0	+0⅛	9.52
G.M.A.C. 9 96	350	97⅛	98	0	+0⅛	9.47
Gen. Mtrs. Corp. 9¼ 92	200	†99⅛	100	0	+0⅛	9.20
Honda 9⅞ 97	300	99⅛	99⅞	0	+0⅛	9.47
IBM Credit Corp. 8¾ 92	400	98⅞	99⅛	−0⅛	+0⅛	9.03
IBM Credit Corp. 8⅞ 91	250	†99	99⅛	0	+0⅛	9.34
IBM Credit Corp. 9 92	250	99⅛	100⅛	0	+0⅛	9.02
IBM Credit Corp. 9¼ 92	250	100⅛	101	0	+0⅛	9.03
Italy 8¾ 94	1500	97⅛	97⅝	0	+0⅛	9.20
Italy 9⅛ 95	1000	100⅞	101⅛	0	+0⅛	9.21
Italy 9⅝ 99	1000	101⅛	102	0	+0⅛	9.32
Nob C. W/W 4⅛ 94	1000	96⅛	97⅛	+0⅛	+3⅛	5.46
Japan Dev. Bank 10 96	200	103	103⅛	0	+0⅛	9.30
KFW Intl. Fin. 9 94	300	99⅛	99⅝	0	+0⅛	9.18
L.T.C.B. of Japan 8¾ 96	200	[illegible]	96⅞	0	+0⅛	9.46
L.T.C.B. of Japan 9¼ 92	200	†99⅞	99⅞	0	+0⅛	9.17

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Land Secs. 6¾ 02 £	6/87	6.72	79⅛	80⅛	+1⅛	12.17
Minolta Camera 2¾ 94DM	2/86	1084	93⅛	94⅛	+2⅛	18.95
MCA Inc 5⅛ 02 US	9/87	69.62	90	91	+0⅛	22.04
Mitsubishi Bk. 3⅛ 04 US	[illegible]	[illegible]	74⅛	75⅛	−0⅛	6.22
Mount Plc 5⅛ 03 £	11/87	4.3	96	97	0	353.03
Nikko Hypo.Bk. 2⅛ 03 US	4/88	884	141⅛	142⅛	+6⅛	−4.94
Omnicom Inc. 6 1/2% 04 US	7/89	38	101⅛	102⅛	0	22.99
Omron Tateisi 2⅛ 02 US	4/87	1910	222	222⅛	+9⅛	4.00
Rank Hovis 4⅛ 03 £	11/88	3.5	111	112	+0⅛	0.06
Redland 7¾ 02 £	1/87	5.4	105	106⅛	+1⅛	−0.11
Saatchi&Saatchi 6¾ 03 £	12/89	4.48	–	–	–	–
Sumitomo Bank 3⅛ 04 US	[illegible]	3977	65⅛	66⅛	−1⅛	7.17
Texas Inst. 2¾ 02 US	9/87	62.87	75⅛	76⅛	+0⅛	67.68
Utd. N'papers 8 04 £	10/89	8.77	126⅛	127⅛	+1⅛	217.76
W.R. Grace 6¾ 02 US	9/87	47.12	88	89	−0⅛	24.77

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Brokers call for options management to resign

By Deborah Hargreaves

IN A measure of the frustration that is seething among brokers on the floor of the London Traded Options Market, some of them are calling for the resignation of the exchange's entire management.

Members of the options exchange are irritated at the time it is taking for LTOM to be hived off into a separate company away from its parent, London's International Stock Exchange. A group of leading brokers are even threatening to set up their own breakaway exchange if LTOM does not gain its independence soon.

There are signs, however, that the stock exchange is moving towards an autonomous LTOM, and it is understood to have agreed in the past two weeks that its options arm can now apply for recognition as an exchange in its own right. LTOM says this involves it making an application to the UK regulator, the Securities and Investments Board, which it plans to complete by June.

This could mean LTOM will operate as an autonomous body by the end of the year – a move that will be widely welcomed by options brokers who believe LTOM's development has been hampered by stock exchange bureaucracy.

LTOM has fallen behind its European rivals in carving out a market niche and has failed to attract the retail investor which is a mainstay for the world's busiest options markets. The European Options Exchange in Amsterdam traded 25 per cent more options contracts than LTOM last year and London's volume has dropped even further so far this year. LTOM regularly trades little more than 35,000 contracts a day.

Once LTOM is set up as an independent exchange, it will be in a stronger position to pursue more closely co-operation talks with the London International Financial Futures Exchange. Liffe would like to merge with LTOM, but the two exchanges have so far confined their discussions to the subject of a joint trading floor.

Both exchanges are involved in discussions to set up a derivatives users group in London which would act as a trade organisation to promote the growth of futures and options in the UK. The group has received the tacit support of the Bank of England which sees derivatives playing an important role in London's position as a financial centre.

Changes in the tax treatment of derivatives which were included in the recent UK budget will give a boost to London's derivatives markets.

Gilts fade as post-Budget rally fizzles out

By Andrew Freeman in London and Janet Bush in New York

MONDAY'S rally in UK government bonds proved short-lived as gilt prices fell back yesterday in thin trading. Only the steadiness of sterling stopped the market dropping further.

Analysts described trading as mainly technical, with activity driven by book positioning on the futures market. Most gilts fell by between ½ and ¾ point.

The benchmark 11¾ per cent stock maturing 2003-07 was trading around ¾ point lower at 98⅛ to yield 12.01 per cent.

Analysts said the retreat finally proved that the post-Budget rally in gilts had been mainly technical, backed by little fundamental support.

Most investors are concentrating on short-term worries about inflation, where the outlook remains pessimistic.

Divisions within the ruling Conservative Party are threatening to undermine investors' confidence in sterling, particularly as local authority elections in May draw nearer.

■ IN West Germany, a bright opening as traders tried to break through recent highs prefaced a sharp turnaround when lack of momentum caused prices to drift back across the board.

The June bund futures contract quickly traded towards its high at 83.87, heading for the 84.00 resistance level, but then went into reverse. Towards the close of trading in London, the contract was quoted around 83.31, down more than 25 pfennigs on the day in moderate volume of around 28,000 contracts.

The cash market broadly followed the futures, with most bunds 10-15 pfennigs lower at the morning fixing. The benchmark 7¾ bund maturing 2000 was fixed 20 pfennigs lower at 95.23 to yield 8.48 per cent, against 8.44 per cent on Monday's fixing. In later trading, it was quoted around 95.00, a further 25 pfennigs lower.

Dealers blamed the lack of follow-through on political uncertainty surrounding the position in Lithuania. However, most analysts said this was had only a marginal effect.

Investors' main concern remained the implications of monetary unification.

■ IN Japan, trading followed its recent pattern with prices closing at the day's low. Activity continued to dry up ahead of the end of the financial year on Friday, and the subdued performance of the yen against other leading currencies did little to stimulate interest.

The benchmark 119th issue was yielding 7.36 per cent at the Tokyo close, against its opening level of 7.195 per cent.

■ US Treasury bonds slipped a little in very quiet trading yesterday morning. There was no economic news to focus on and business was cautious in advance of the sale of $10bn in two-year notes. At midsession, short-dated issues were around ⅛ point lower while the Treasury's benchmark stood around ¼ point down from Monday's close to yield 8.47 per cent.

Overseas financial markets, which have provided much of the focus for Treasuries recently, provided little sense of direction yesterday. The Nikkei 225 stocks index closed slightly lower in Tokyo while the dollar was a touch higher. At the New York midsession, the dollar was quoted at Y157.70 from an earlier low in the US of Y156.70.

Market analysts said in advance of the two-year auction that demand should be healthy because of the relatively high yields in this area of the market. The two-year sale is followed today by a sale of $8bn in four-year notes.

Another background concern for the market was the start of the regular meeting of the Federal Open Market Committee. The consensus is the committee will leave monetary policy unchanged for the time being until some of the economic evidence for March is in.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	91-20	-04/32	13.44	13.46	12.59
		10.500	5/99	86-30	-19/32	12.55	12.46	11.58
		9.000	10/08	81-02	-22/32	11.48	11.36	10.63
US TREASURY *		8.500	02/00	99-29	-	8.51	8.62	8.55
		8.500	02/20	100-16	-03/32	8.45	8.57	8.58
JAPAN	No 119	4.800	6/99	86.0403	-0.611	7.34	7.28	6.90
	No 2	5.700	3/07	88.4699	-1.165	7.21	7.14	6.45
GERMANY		7.125	12/99	90.6500	-0.550	8.57	8.66	8.71
FRANCE	BTAN	9.000	02/95	94.7739	-0.213	10.40	10.55	10.63
	OAT	8.500	03/00	92.0300	-0.460	9.79	9.90	10.06
CANADA *		9.250	12/99	90.5500	-0.250	10.85	10.88	10.51
NETHERLANDS		7.750	01/00	93.3200	-0.170	8.78	8.99	8.94
AUSTRALIA		12.000	7/99	92.8015	-0.098	13.40	13.29	13.28

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Concern grows over buy-ins

By Andrew Freeman

A LEADING UK marketmaker yesterday added its voice to concerns that the spate of buy-ins in the long-dated Eurosterling market has damaged secondary market liquidity.

Barclays de Zoete Wedd said the recent trend could result in permanent damage to the UK corporate bond market. It urged London's International Stock Exchange to alter existing rules which allow an issuer to buy up to 4.9 per cent of a bond without making any statement as to its intentions for the remaining outstanding paper.

Mr Tony Smith, head of sterling bonds at BZW, said: "There has been a clear deterioration over the last 10 days in the liquidity of selected long-dated issues."

Other marketmakers confirmed that no prices are available on several stocks where dealers are unsure of the issuer's intentions.

The recent buy-ins by companies such as Hanson and Trusthouse Forte have occurred as borrowers have taken advantage of a beneficial tax break to exploit the collapse in prices which has driven many issues to substantial discounts. Often a small, illiquid rump of an issue is left in the market. BZW asked the ISE to make it compulsory for a borrower to announce any purchase of its own debt, no matter how small, within 24 hours. It also said issuers should make clearer statements at the outset of any buy-in.

An ISE official said the exchange was aware of the problem and had been discussing possible solutions with a variety of market practioners.

On Monday, the Republic of Ireland became the latest issuer to buy in its debt when it announced that it had repurchased £3m of its £50m Bulldog issue.

Primary market activity remains severely depressed

By Norma Cohen

IT is the absence of activity that has become the most stunning feature of the primary sector of the Eurobond market. Indeed, yesterday, with only one new issue emerging from a London-based syndication team, dealers were left to ponder the changes that have occurred in the underwriting business over the past year.

Uncertainty about interest rates has driven investors to the sidelines, inducing them to hold funds in cash. However, in previous cycles of interest rate uncertainty, underwriters have been willing to offer borrowers the opportunity to raise funds at rates below those which investors were willing to accept. This translated, typically, into losses for the lead manager and for members of the underwriting syndicate.

Now, changes in the underwriting rules have made it virtually impossible for lead managers to pass on the cost of stabilising an unprofitable deal to competitors, forcing them to think twice about bringing a deal to market. Also, the recent concern about profitability generally, especially in light of the collapse of the Japanese equity warrant Eurobond market, is discouraging lead managers from buying market share with unprofitable deals.

Meanwhile, reflecting investor anxiety about worldwide interest rates, the two significant deals which did emerge yesterday - both launched outside London – paid interest at floating rates.

Ente Nazionale per l'Energia Electrica (ENEL) issued a L500bn 10-year callable floating-rate note, paying interest at six-month Libid. Lead manager Banco do Roma said it was prompted to launch the issue by the success of a previous floater launched in December for Ferrovie, the Italian state railway, also priced at Libid flat, which yesterday traded well over its par issue price. The ENEL deal, callable after one year, was priced at 100.50 and carried fees of 70 basis points.

Meanwhile, in Germany, Hydro-Quebec issued a DM500m 10-year floating rate note via Commerzbank which pays interest equal to six-month Libor. German investors appear to have been less rattled by the recent *furor* in Quebec over calls for that French-speaking province to separate itself from English-speaking Canada. Investors in London have been unnerved by separatist calls and have sold bonds.

In addition to a perception of aggressive pricing, the issue is said to be suffering from a glut of floating-rate D-mark paper. The lead manager quoted the bonds at a discount equal to full 30 basis point underwriting and listing fees.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Hydro-Quebec(a)‡♦	500	(a)	100	2000	20/10bp	Commerzbank
LIRE						
ENEL(e)‡♦	500bn	(e)	100.50	2000	70/40bp	Banco di Roma
ECUs						
Compagnie Bancaire(f)♦	60	11½	101.95	1992	1⅛/⅝	Banque Paribas
SWISS FRANCS						
Oest. Laenderbank(b)*♦	100	5¼	100	2000	n/a	Handelsbank NatWest
YEN						
Toronto-Dom.Bk(Cayman)(c)♦	5bn	(c)	101⅞	1995	1⅞/1¼	Sumitomo Trust Int.
FINNISH MARKKA						
Fastighetsbanken(d)♦	100	13	n/a	1995	n/a	Privatbanken

*With equity warrants. ‡Floating rate notes. ♦Final terms. a) Coupon pays 6-month Libor flat. Non-callable. b) Each SFr5000 has one warrant to purchase 57 participation certificates at Sch667 each. Exchange rate Sch100 per SFr12.59. Exercise period: 13/6/90 to 16/5/95. c) Coupon pays 10% first year, then 8% thereafter. Redemption linked to Nikkei stock index. d) Tap issue - up to FM750m may be issued until end December 1990. Non-callable. e) Coupon pays 6-month Libid flat. Call at par on coupon dates from April 1991. First coupon set at 12.7%. (f) Non-callable.

S&P expects rise in defaults

By Norma Cohen

STANDARD and Poor's, the credit rating agency, said it intends to increase coverage of industrial and investor-owned utility companies which have filed for bankruptcy protection on the expectation that, even if economic conditions are favourable, corporate bankruptcies will increase. It will not attempt to rank or value bankruptcy securities.

Since 1986, about 100 industrial issuers have defaulted on rated debt, exceeding the total of defaulting companies in the last 15 years. S&P expects companies which underwent leveraged buy-outs and recapitalisations during the late 1980's to encounter problems, even in a stable economy.

"A severe recession or a spike in interest rates would almost certainly prompt a sharp increase in the supply of defaulted bonds," S&P said.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

© The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tue Mar 27 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Mar 26 Index No.	Fri Mar 23 Index No.	Thu Mar 22 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (202)	859.03	-1.1	13.48	5.20	9.04	9.07	868.53	868.72	859.33	949.18
2	Building Materials (27)	1053.77	-1.2	14.93	5.43	8.33	3.29	1066.24	1060.60	1048.02	1194.60
3	Contracting, Construction (37)	1409.23	-0.5	17.42	5.70	7.50	13.65	1416.93	1416.20	1411.68	1767.80
4	Electricals (10)	2474.46	-0.8	11.31	5.34	10.92	1.41	2494.16	2482.85	2457.74	2779.63
5	Electronics (29)	1820.76	-1.7	9.95	4.07	13.03	16.80	1852.39	1836.31	1816.78	2112.18
6	Engineering-Aerospace (8)	437.94	-0.4	15.29	5.28	8.05	7.69	439.84	441.08	435.88	0.00
7	Engineering-General (44)	464.27	-0.2	12.18	5.30	9.89	5.16	465.28	464.68	461.85	0.00
8	Metals and Metal Forming (6)	487.74	-1.9	24.13	6.39	4.67	0.53	496.99	497.20	491.16	539.89
9	Motors (16)	348.96	-1.9	14.44	6.37	8.20	5.74	355.84	356.07	354.37	310.94
10	Other Industrial Materials (25)	1572.97	-1.0	11.38	5.04	10.24	27.90	1588.69	1607.14	1581.84	1591.81
21	CONSUMER GROUP (176)	1223.39	-1.1	9.61	4.00	13.00	6.08	1237.60	1231.60	1221.96	1164.67
22	Brewers and Distillers (22)	1445.45	-1.0	10.03	3.81	12.30	6.57	1460.50	1451.74	1434.56	1276.70
25	Food Manufacturing (20)	1060.99	-0.6	10.49	4.43	11.84	8.09	1066.95	1065.18	1064.58	1022.05
26	Food Retailing (16)	2261.57	-0.3	8.96	3.37	14.49	7.38	2268.55	2252.89	2241.60	1983.96
27	Health and Household (13)	2518.45	-1.6	7.18	2.76	16.64	14.72	2559.70	2542.13	2507.11	2155.40
29	Leisure (31)	1412.49	-2.2	10.04	4.32	12.31	6.96	1444.78	1445.83	1444.11	1624.12
31	Packaging & Paper (13)	554.07	-2.2	11.95	5.66	10.61	2.66	566.53	562.13	559.13	590.73
32	Publishing & Printing (16)	3225.36	-0.3	9.97	5.43	12.83	23.01	3235.91	3224.42	3195.84	3687.27
34	Stores (33)	748.18	-1.3	11.60	5.00	11.22	1.82	758.38	752.94	747.68	765.67
35	Textiles (12)	496.31	-0.1	13.13	7.06	9.59	0.59	496.90	500.75	496.30	515.72
40	OTHER GROUPS (104)	1152.91	-1.5	10.83	4.93	11.05	7.00	1169.92	1165.24	1153.90	1064.30
41	Agencies (17)	1564.03	-0.7	5.76	2.46	21.39	12.19	1574.84	1573.36	1567.00	1247.35
42	Chemicals (23)	1216.67	-1.8	12.04	5.41	9.67	22.72	1238.72	1234.06	1222.32	1218.65
43	Conglomerates (13)	1595.69	-1.8	10.19	6.14	11.55	5.70	1625.26	1610.14	1585.88	1505.96
44	Transport (13)	2236.77	-1.4	10.92	4.43	11.66	6.69	2267.52	2242.07	2224.40	2352.62
46	Telephone Networks (2)	1178.49	-1.4	10.77	4.35	12.07	0.00	1194.86	1184.98	1168.96	1112.20
47	Water (10)	1942.32	-1.2	17.94	6.97	6.17	0.00	1964.96	1986.44	1965.69	0.00
48	Miscellaneous (26)	1832.42	-1.4	9.94	4.51	11.36	18.00	1857.78	1865.90	1861.84	1476.36
49	INDUSTRIAL GROUP (482)	1124.20	-1.2	10.95	4.59	11.16	7.53	1138.24	1134.45	1124.04	1104.64
51	Oil & Gas (18)	2333.29	-1.1	10.54	5.16	12.51	35.47	2359.91	2344.36	2324.32	1998.97
59	500 SHARE INDEX (500)	1224.70	-1.2	10.89	4.67	11.34	9.71	1239.80	1235.09	1223.87	1180.44
61	FINANCIAL GROUP (113)	796.89	-1.1	-	5.62	-	12.54	805.50	798.57	791.13	751.33
62	Banks (9)	878.81	-1.2	19.14	6.08	6.83	24.14	889.27	876.66	865.31	734.33
65	Insurance (Life) (7)	1280.00	-1.8	-	5.65	-	11.81	1302.99	1297.53	1291.52	1120.98
66	Insurance (Composite) (7)	658.32	-1.2	-	6.03	-	7.72	666.57	656.16	645.62	596.69
67	Insurance (Brokers) (6)	1021.47	+0.3	7.37	6.18	18.27	16.73	1018.30	1028.18	1016.19	972.29
68	Merchant Banks (8)	454.16	-0.2	-	4.18	-	4.27	455.23	459.34	459.32	333.82
69	Property (49)	1080.64	-0.8	8.40	4.03	15.07	1.80	1089.83	1087.45	1085.20	1335.87
70	Other Financial (27)	319.05	-0.5	13.90	6.92	9.48	2.89	320.69	320.39	319.22	374.08
71	Investment Trusts (68)	1161.21	-1.2	-	3.26	-	8.65	1174.79	1166.61	1161.07	1089.46
91	Overseas Traders (5)	1399.98	-0.7	9.25	6.54	13.06	31.27	1409.70	1407.33	1380.53	1404.53
99	ALL-SHARE INDEX (681)	1120.83	-1.2	-	4.78	-	10.30	1134.34	1129.11	1118.90	1075.01

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Mar 26	Mar 23	Mar 22	Mar 21	Mar 20	Year ago
FT-SE 100 SHARE INDEX♦	2266.2	-32.0	2295.6	2265.8	2298.2	2283.9	2258.9	2250.3	2259.7	2070.5

FIXED INTEREST

	PRICE INDICES	Tue Mar 27	Day's change %	Mon Mar 26	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	112.67	-0.04	112.71	-	3.41
2	5-15 years	117.22	-0.49	118.00	0.21	3.00
3	Over 15 years	119.33	-0.87	120.38	-	4.16
4	Irredeemables	137.76	-0.68	138.71	-	1.51
5	All stocks	117.54	-0.38	118.10	0.11	3.34
	Index-Linked					
6	Up to 5 years	140.79	....	140.79	-	0.94
7	Over 5 years	132.15	-0.19	132.40	-	1.05
8	All stocks	132.69	-0.17	132.92	-	1.04
9	Debentures & Loans	94.92	-0.88	95.76	-	2.72
10	Preference	75.02	-0.05	75.06	-	1.92

	AVERAGE GROSS REDEMPTION YIELDS		Tue Mar 27	Mon Mar 26	Year ago (approx.)
	British Government				
1	Low	5 years	11.72	11.69	9.46
2	Coupons	15 years	11.41	11.31	9.06
3		25 years	11.30	11.19	8.90
4	Medium	5 years	12.97	12.90	10.49
5	Coupons	15 years	11.85	11.73	9.51
6		25 years	11.42	11.30	9.07
7	High	5 years	13.08	13.02	10.61
8	Coupons	15 years	12.14	12.04	9.73
9		25 years	11.66	11.56	9.25
10	Irredeemables	†	11.32	11.23	8.84
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.61	4.61	3.49
12	Inflation rate 5%	Over 5 yrs.	4.15	4.14	3.50
13	Inflation rate 10%	Up to 5 yrs.	3.61	3.60	2.57
14	Inflation rate 10%	Over 5 yrs.	3.97	3.95	3.33
15	Debs &	5 years	15.64	15.78	12.23
16	Loans	15 years	14.36	14.34	11.43
17		25 years	13.72	13.57	10.82
18	Preference	†	12.28	12.28	10.07

♦Opening index 2294.1; 9 am 2295.2; 10 am 2280.6; 11 am 2283.0; Noon 2281.4; 1 pm 2280.5; 2 pm 2280.0; 3 pm 2270.9; 4 pm 2267.3; 4.10 pm 2266.0; (a) 8.56am (b) 4.27pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p. NAME CHANGE: Hogg Robinson & Gardner Mountain (67) has become Hogg Group.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	77	15
Corporations, Dominion and Foreign Bonds	3	8	15
Industrials	220	533	838
Financial and Properties	72	289	347
Oils	10	48	33
Plantations	0	4	6
Mines	21	75	62
Others	35	124	93
Totals	366	1,158	1,409

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
‡125	F.P.	-	128	118	ABI Leisure 10p	118		R4.7	3.3	5.3	7.7
§14	F.P.	-	17½	15	♦ADC Group 5p	17½	+½	N0.5	2.7	3.8	5.9
-	F.P.	-	96	90	Abtrust New Euro.Inv	94	+6	-	-	-	-
-	F.P.	-	45	36	Do. Warrants	41	+2	-	-	-	-
100	F.P.	-	97	86	Beta Global Emg. I.T.10p	86		-	-	-	-
-	F.P.	-	29	23	Do. Warrants	25	-1	-	-	-	-
-	F.P.	-	266	[illegible]	Courtaulds Textiles	258	-3	W11.6	2.4	6.0	8.9
-	F.P.	-	4½	1	Courtwell Group Wrrnts.	1½	-¼	-	-	-	-
[illegible]	F.P.	-	47	46	♦Dakota Group lr25p	46		♦Q4.6%	4.0	2.4	11.1
§	F.P.	-	146	135	F & C Germany Inv. Tst.	138	-1	-	-	-	-
-	F.P.	-	64	58	Do. Warrants	61	-3	-	-	-	-
$100	F.P.	-	99	88	First Ireland Inv. 10p	90	-5	-	-	-	-
-	F.P.	-	32	26	Do. Warrants	29	-3	-	-	-	-
-	F.P.	-	42	35	First Philippe. Inv. Tst.	40		-	-	-	-
-	F.P.	-	22	15	Do. Warrants	15	-1	-	-	-	-
-	F.P.	-	14	7	Fisher (Albert) Wrrts.	11	-1	-	-	-	-
†	F.P.	-	560	508	Five Arrows Chile Fd	508	-4	-	-	-	-
†	F.P.	-	250	140	Do. Warrants	215	-2	-	-	-	-
$10.6	F.P.	-	644	523	GT Chile Fund Units	525	-1	-	-	-	-
-	F.P.	-	209	208	Do. Warrants	208	-1	-	-	-	-
$10.3	F.P.	-	643	572	Genesis Malaysia Maju 1c.	631	-2	-	-	-	-
100	F.P.	-	105	98	Govett Inv. Tst.	102		2.0	1.0	2.6	-
100	F.P.	-	93	92½	Henderson Highland Tst.	92½	-½	K5.25	-	7.6	-
-	F.P.	-	28	26	Do. Warrants	26	-1	-	-	-	-
$100	F.P.	-	£66	£63	Hungarian Investment 1c.	£64		-	-	-	-
-	F.P.	-	100	93	Martin Currie Euro. I.T.	99		-	-	-	-
-	F.P.	-	43	36	Do. Warrants	44	+1	-	-	-	-
§	F.P.	-	188	160	Midlands Radio 10p	162		4.5	1.4	3.7	15.8
$100	F.P.	-	103	96	♦Nasdaq 5p	99		-	-	-	-
§	F.P.	-	567	530	Schroder Japanese Wrnt.	554	-4	-	-	-	-
§	F.P.	-	265	227	Do. Warrants	[illegible]	[illegible]	-	-	-	-
$$10.5	F.P.	-	641	615	South East Asian Wrrts1c.	615	-10	-	-	-	-
$155	F.P.	-	158	156	Torday & Carlisle 5p	156		L6.25	2.1	5.3	8.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
-	F.P.	-	85p	40p	Courtwell Group 10¼pc (Net) Cv.Cm.Pf	40p	-5
100p	Nil	-	4pm	1pm	Reckitt & Colman 9.5pc Cv Bds 2005	1¼pm	+¼
100p	F.P.	-	98p	96p	Wyndham Group 9.375pc Cm.Pf	98p	
-	F.P.	-	55p	55p	York Trust 8.5p (Net) Cv.Cm.Pf	55p	

RIGHTS OFFERS

[illegible]

[illegible] previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. ♦ Placing price. †† Reintroduction. ♦ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings March 19
- Last Dealings March 30
- Last Declarations June 21
- For settlement July 2

For rate indications see end of London Share Service

Calls in Amstrad, Berisford Intl., Control Sec., Coloroll, Kwik-Fit, Next and Senior Engineering.

LONDON TRADED OPTIONS

Stock index futures and options were once again the most active derivative markets ahead of the expiry of March contracts at the end of this week. But among the stock options, turnover was low reflecting the quieter session on the stockmarket.

The March FT-SE traded during the morning at a premium of around 10 points to the cash index as sentiment remained positive after the previous day's advance. But profit-taking and concern about the Japanese equity market drove prices lower. Declines in the gilt market and worries about wage settlements steepened the decline. The FT-SE index closed at a premium of 3 points, compared with 9 in the previous session. The March contract closed 40 points lower at 2,269 on a turnover of 5,386 lots.

The FT-SE March options were also briskly traded ahead of their expiry on Friday. A total of 10,391 FT-SE contracts changed hands, of which 5,226 were calls and 5,165 were puts. The March 2,300 call series was the busiest, trading 2,506 lots. Dealers continued to note arbitraging between the FT-SE futures and options, as some traders took advantage of price differentials between deep in the money March options and March futures.

Among the stock options, trading was thin, and this depressed the total turnover in the options market. Volume stood at 26,806 lots, against 32,616 in the previous session. Dealers said that in spite of recent changes announced in the UK budget involving the tax treatment of options, dealing levels remained low. Investors would take time to become fully aware of the changes, but according to a report from Barclays de Zoete Wedd: "The impact on (options) volume is expected to be large, as is the implicit opportunity for fund management groups to increase product range and funds under management."

But yesterday trading levels looked decidely low.

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*458)	420	44	52	60	2½	9	13
	460	14	27	4½	12	26	30
	500	2½	12	26	45	51	52
ASDA (*109)	100	12	18	19	2	4	6
	110	5	10	13	5½	8	10½
	120	2	6½	10	13	14	17
Brit. Airways (*206)	200	11	19	25	4½	10	13
	220	2½	8½	16	17	22	24
	240	1	4	-	36	38	-

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Utd. Biscuits (*321)	300	28	41	50	3	6½	10
	330	8	21	30	14	19	22
Unilever (*661)	650	19½	41½	64½	15½	23½	27½
	700	2½	18½	39½	55	56½	58½
Ultramar (*365)	360	18	35	48	8	15	18
	390	6	18	30	28	28	33

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Amstrad (*64)	60	9½	12½	16	3½	5½	7
	70	4½	7½	11	9	10½	12
Barclays (*585)	550	56	73	90	10	18	20
	600	23	39	57	30	38	38
Blue Circle (*215)	200	20	25	33	6	9	12
	220	8	15	24	18	19	22
British Gas (*217)	200	24	27	32	2½	5	6
	220	10	14	20	8½	13	13

[illegible]

UK COMPANY NEWS

Caution on prospects for current year leaves shares lower
P and O steams ahead to £376.7m

By Nikki Tait

PENINSULAR and Oriental Steam Navigation, the shipping, construction and services group which is embroiled in a £441m hostile bid for Laing Properties, yesterday unveiled pre-tax profits of £376.7m in 1989 but sounded a note of caution on prospects for the present year.

Sir Jeffrey Sterling, chairman, said that he expected the out-turn for the present trading period to be satisfactory, but warned that the economic climate in a number of countries in which the group operated, including the UK, US, and Australia, was clearly more uncertain than it was a year ago.

"Unless you're a bloody idiot, you have to be cautious," he said.

The profits compare with £316.6m. However, analysts noted that the 1989 figure benefited from the £21.9m profit taken on the Taylor Woodrow stake, which was taken above the line. The 1988 figure was depressed by the £25m cost of the seamen's dispute.

Coupled with the caution expressed for 1990, this led to some down-grading of current year forecasts and the shares fell 25p to 592p.

Operating profit advanced from £460m to £460.8m, on turnover of £4.58bn (£3.38bn). The largest division, housebuilding, construction and development, was static at £155.6m (£157.1m), but the figure included the profit taken on the holding in Taylor Woodrow.

The company declined to break out separate figures for its housebuilding business, but described the current situation in the area as bleak adding that the downturn had been more severe than had been expected.

The service industries division advanced from £89.1m to £107.9m, although about half the growth came from acquisitions. Passenger shipping showed a strong improvement to £109.6m from 1988's dispute-affected £50.4m. This business was going well, the company said, with early bookings looking very encouraging.

There was a profit fall in container and bulk shipping, from £64.1m to £38m. P and O said that freight rates in container shipping stayed under pressure, and the results from P&O Containers were well down and inadequate. Bulk shipping, however, continued to improve.

Investment property contributed £54.7m (£49.3m).

There was a net interest charge of £74.6m (£49.9m). Year-end gearing was 65 per cent. Below the line, property sale profits (after tax) added £20.1m (£48.9m).

Earnings per share, following an unchanged 29 per cent tax charge, were 62.3p (53.8p). The recommended final dividend is 17p, making 29.5p (25.5p) for the year.

See Lex

Squeeze on juice margins slices Clifford by 38%

By David Churchill

CLIFFORD FOODS, which produces own label dairy, fruit juices and other grocery products for supermarket chains, yesterday announced a 38 per cent fall to £3.8m in pre-tax profits for 1989. Turnover increased by 8 per cent to £136.1m.

The profits setback was largely due to a poor first half when margins for fruit juices and milk were put under pressure by retail competition. Pre-tax profits in the second half of the financial year were £2.45m, compared to £1.35m in the first half.

Mr John Clifford, chairman, yesterday said that "fruit juice margins are recovering and volumes continue to grow."

A new £2m citrus juice squeezing plant has come on stream earlier than expected.

"Since October we have converted over 90 doorstep rounds to franchising with a beneficial effect on milk volumes," he added.

Clifford's said that its Morton Foods subsidiary "performed very well". Roy's Quality Foods and Danby's Foods also "improved significantly in the second half of the year."

Earnings per share dipped to 14.93p (24.39p). A final dividend of 6.4p is proposed, for a same-again total of 10p.

The company said that 1990 trading "has started well and results for the first two months are well ahead of 1989."

Midsummer Leisure shares up on bid talks

By Andrew Bolger

MIDSUMMER LEISURE, the acquisitive pub, disco and snooker club operator and slot machine company, said last night its directors were involved in talks which might lead to a bid being made for the company.

Midsummer shares closed up 7p at 138p, giving the group a market capitalisation of £73m. In the last 12 months the shares have fluctuated between 251p and 124p.

Mr Paul Reece, deputy chairman, said that although Midsummer has a strong cash flow, it was 100 per cent geared following five acquisitions in the autumn.

In the year to end-September, Midsummer increased pre-tax profits by 53 per cent to £9.82m (£6.43m) on sales up from £40m to £61m.

Midsummer also reported an extraordinary debit of £2.9m, £2m of which was a provision against a fall in the value of its stake in Leisure Investments, which has since been taken over by Bear Brand.

Midsummer pulled out of merger talks with Leisure Investments in August after the group warned that its profits would be below expectations.

In November Midsummer announced the sale of Chequers, its Midlands-based shopfitter, for £5.55m to Dean & Bowes.

Derwent Valley improves to £3.5m

Derwent Valley Holdings, property investment and trader, reported pre-tax profits up from £2.81m to £3.54m for the year ended December 31. Net interest payable jumped from £405,000 to £1.83m.

Mr John Ivey, chairman, said that with the economic background continuing to be uncertain there had been much comment about the immediate prospects for the property market in such an environment. Despite this he firmly believed that the management's strategy of focusing the investment portfolio in specifically targeted areas would ensure a sound future for the company.

There was an extraordinary credit of £2.32m (£436,000). Earnings were 31p (22.4p) and a final dividend of 5p makes a 7.5p (6.1p) total.

New DTI merger control procedures

MERGER control procedures, allowing companies to voluntarily "pre-notify" the Office of Fair Trading of their intention to link up, will come into force on April 1.

Under the new system, companies planning to merge can seek guidance from the OFT on whether the merger will be allowed. However, they will now need to do this via a standard "merger notice".

In general, if the proposed merger is not referred to the MMC within the consideration period – initially 20 days, but capable of being extended by 10 days and then a further 15 days – the parties will be immune from reference.

There are, however, some limited exceptions. The new system is designed to provide a quicker pre-notification procedure. Pre-notification already takes place on an informal basis, but the more tightly-defined "consideration" period is a new innovation.

BAT sells US retail chain for $92m

Nikki Tait

THE DISPOSAL of BAT Industries' US retail subsidiaries – part of the tobacco-based conglomerate's defensive restructuring plan – got underway yesterday with the sale of the Breuners retail chain to Prism Capital Corporation, of the US, for $92.5m cash (£57m).

The disposal of the Breuners rental business is taking place separately, and negotiations on this are understood to be well-advanced. BAT does not give a sales split between retail and rental, and has said only that Breuners made losses overall in 1989, although the deficit was "much reduced" on 1988.

However, the conglomerate did make clear yesterday that, in terms of disposal proceeds, the sale of the retail operations brings in the main contribution from Breuners. The sums to come from Breuners rental business are described as "tidying up".

BAT acquired Breuners when it bought the Marshall Field's group – which takes in the significantly larger Chicago-based department store chain – in 1982.

Breuners, founded in 1856, is based in California and operates 18 furniture retailing stores in northern California, Arizona and Nevada. There are 44 rental locations.

BAT confirmed yesterday that Breuners management made a bid for the retail business, but said that the Prism offer was the highest received. Prism is a private investment company, set up last year by Mr Dennis Wong, who formerly worked for Dean Witter in New York, and his brother, Steven.

Prism already controls Barker Brothers, a furniture chain in southern California, with 11 outlets – its first investment. It said that combined revenues for Breuners retail operations and Barker Brothers last year were more than $200m, but that the two chains will be run autonomously.

BAT put its four US retail businesses up for sale as part of a major restructuring package designed to fend off the bid threat from Sir James Goldsmith's Hoylake consortium. Initial bids were submitted a couple of weeks ago for the two main chains – Marshall Field's and Saks – and BAT has said that all three operations should be sold by mid-year.

Prudential 9% ahead after year of 'mixed fortunes'

By Vanessa Houlder

PRUDENTIAL Corporation, the UK's largest insurer, increased its 1989 pre-tax profits by 9.3 per cent from £352.6m to £385.5m, after a year it described as "one of mixed fortunes".

A significant loss in its new UK estate agency business and a "disappointing" performance from the general insurance business partially offset a surge in profits from its long-term business, which is mainly pensions and savings-related products.

Sir Brian Corby, chief executive of Prudential Corporation

Long-term business profits increased 79 per cent to £358.9m, although £58m of this improvement resulted from an increase, to nearly 10 per cent, in the proportion of its life assurance surplus that goes to shareholders funds. This rise, as with an increase last year, reflects the view that resources should be reallocated to shareholders' funds because shareholders have been financing recent developments that will benefit policyholders.

In addition, long-term profits benefited from higher levels of bonus declared on with-profits policies.

The general insurance business made a trading loss of £8.6m compared with a 1988 profit of £87.4m. This reflected increased subsidence claims, following the hot summer, higher court awards from motor accidents and large individual claims in the commercial motor business, tempered by low levels of other claims.

Disasters, such as the Piper Alpha oil rig loss, pushed general business overseas and reinsurance general business into loss. Additional reserves of £49m were set aside for the Piper Alpha loss, above the £5m set aside in July 1988.

The downturn in the UK housing market took its toll on the estate agency business, which made a loss of £48.9m compared with a 1988 profit of £17.2m. The company took some consolation in an increase in the life policies sold by Prudential Property Services, from 20 per cent to 36 per cent of the number of house exchanges.

Gearing reduced from 71 per cent to 51 per cent with debt interest covered ten times by profit. Shareholders' funds rose 34 per cent to £814m.

The geographical breakdown of profit was as follows: UK £240.8m (£134.3m); Australia £15.3m (£11.1m); Canada £8.3m (£4.1m); Ireland £4.9m (£3.1m); US £32.9m (£19.4m); others £5.7m (£3.4m).

Earnings per share rose by 12 per cent to 14.9p (13.3p). A final dividend of 6.1p was proposed giving a total of 9.2p (8p).

See Lex

Hambro Countrywide £9.5m loss

By David Barchard

HAMBRO COUNTRYWIDE, the estate agency and financial services group, yesterday announced pre-tax losses of £9.53m for the year ending December 31 1989 and said that it would not pay shareholders a final dividend.

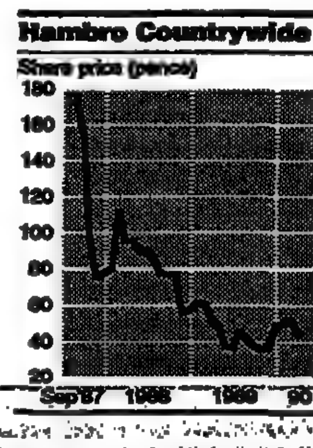
The loss in 1989 compared with a profit of £23.1m a year earlier.

Mr Christopher Sporborg, chairman, said that in 1989 Hambro Countrywide had faced the most difficult trading conditions for many years in the UK residential property market. "Whilst it is disappointing to report a trading loss for the year, we believe that there is cause for optimism," he said.

However stockbroker's analysts in the City pointed out that losses on the group's estate agency operations would have been higher if property disposals of £2.44m had not been included. The group's estate agency division reported a loss of £14m.

Group turnover fell by 39 per cent from £128.8m in 1988 to £78.49m last year. However the contribution of Hambro Guardian the group's life assurance subsidiary rose from £1.3m in 1988 to £2.87m.

Hambro Countrywide



The group's network of residential estate agency offices was slimmed down during the year from 514 to 474. During the year Hambro Countrywide sold 33,394 houses, 47 per cent down on 1988. However the group arranged mortgages worth a total of £760m for 16,049 customers.

Pre-tax losses in the second half of the year were £6.62m, down from £9.52m in the first half. Mr John May, joint managing director, said there had been a distinct improvement in market conditions in the first quarter of this year.

"Turnover is holding up." Mr May said. "We would now like to see it picking up in the spring.

Hambros is continuing to diversify into new business areas to reduce its dependency on the housing market. Hambro Legal Protection, the groups's legal insurance and helpline products subsidiary, and Wright Oliphant, the City-based commercial agency acquired last October, were all said to have done well. Wright Oliphant contributed £2m during the year.

"Our policy continues to be one of prudence until we are reasonably certain that there has been a sustained recovery in the housing market." Mr Sporborg said.

He said that decisions taken in 1989 to cut overheads and reduce the group's cost base would enable it to reap the benefit when interest rates fall and the market improved.

There was a loss per share of 1.97p (earnings of 5.09p).

Mayborn dives to £0.2m

MAYBORN GROUP, the USM-quoted baby care, toy and florist's sundries business, saw pre-tax profits dive from £2.14m to just £200,000 in the year to December 31 in spite of a 14 per cent improvement from £25.3m to £29m in turnover.

The group's main problem continued to be Stahlwood, its US subsidiary, where £946,00 of exceptional items were written off and re-location costs accounted for another £48,000. But interest charges soared from £248,000 to £690,000 and the Dylon subsidiary's operating profit was only 40 per cent of that achieved in 1988.

In spite of the loss of 2p per share (earnings 7.6p), the dividend is maintained at 3.8p via a final of 2.5p.

Group sales in the first two months of the current year were higher than in the corresponding period of 1989.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Allied Partners	fin	1	June 5	1	2	1.75
ASD §	fin	1.7	May 14	1.625	3.4	3
Bilston Enamels§	fin	3	-	3.6	4.75	4.2
Bunzl	fin	3.3	July 2	3.3	5.9	5.7
Cliffords Foods	fin	6.4	May 18	6.4	10	10
Conder	fin	10	May 31	8	16	11
Derwent Valley	fin	5	-	4.6	7.5	6.1
Halstead (James)	int	4☆	-	3.75	-	9.5
Hambro C'wide	fin	nil	-	1.5	nil	2.6
Iceland Foods	fin	4.2	May 25	3.55	9.2	6.25
IOM Steam Packet	fin	3	-	3	4	3
London & Metro	fin	4.25	July 2	4.25	6.65	6.2
Lopex	fin	4	-	3.5	6.9	6
Malaysian Mining‡	fin	3☆	-	3	7	5
Marley	fin	4.25☆	June 2	4.25	6.35	6.35
Mayborn Group §	fin	2.5	-	2.5	3.8	3.8
P and O deferred	fin	17†	May 23	15	29.5	25.5
Pittard Garnar	fin	4.15	May 23	4.15	6.1	5.9
Prudential	fin	6.1†	-	5.3	9.2	8
Russell (Alex)	fin	1.07	May 31	1.5	1.61♦	2.04
Scot Heritable	fin	4	May 25	3.5	7	6
Servomex	fin	3.6	-	-	3.6	-
Singer/Friedlander	fin	1.5	May 23	1.25	2.5	2
Steetley	fin	9☆	June 1	7.5	13.75	11.5
Trafford Park	int	0.85	-	0.85*	-	2.575*
Willis Faber	fin	8.15☆	July 2	7.61	12†	11.46

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ‡Malaysian currency throughout. ♦For nine months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Barratt Developments, Colroy, Frogmore Estates.

Finals- Ambassador Security, Boddington, Bowater Industries, Bridgend, Business Technology, Clayform Properties, Dunloe House, Edmond, Explaura, Fitch-RS, Gibbs & Dandy, Grampian Holdings, Guardian Royal Exchange, Hawker Siddeley, Herring Son & Daw, Hogg Group, House of Lerose, INVESCO MIM, Monument Oil & Gas, Page (Michael), Rockware, Senior Engineering, Slough Estates, Sun Life Assurance, Thames Television, Weir.

FUTURE DATES

Interims-	
Barry Wehmiller Intl	Apr. 2
Continental Microwave	Mar. 29
Finals-	
APV	Apr. 6
Aran Energy	Mar. 29
Johnston Group	Apr. 3
Metsec	Apr. 2
[illegible]	Apr. 4
Sherwood	Apr. 4
Triplevest	Mar. 30

UK COMPANY NEWS

Shares slip 10p as £65m profits fail to meet City expectations

Restructured Bunzl falls 30%

By Jane Fuller

BUNZL, which has been shedding some of its voraciously acquired businesses to concentrate on paper, building materials, plastics and cigarette filters, saw pre-tax profits fall 30 per cent in 1989.

The drop, from £93.3m to £65.4m, came on sales down 6 per cent to £1.64bn (£1.75bn). The market responded to a profit figure £10m to £15m below expectations by knocking 10p off the share price, which closed at 96p.

As none of the £150m expected from the latest series of company sales, including electrical products distribution and graphic arts supplies, had come in by the end of December, gearing hit 106 per cent and interest costs soared to £15.2m (8.7m).

Of the continuing businesses, paper distribution contributed more than £1bn (£960m) to sales and £46.4m to trading profit. But the latter had slipped back by £1.6m because of a £6m cut in the contribution from job lot trading. This involves converting waste quality paper from the mills into products for printing, but over-supply eroded prices.

Building materials, a US distribution business, also saw trading profit fall back, to £4.3m (£4.6m), in spite of a 55 per cent increase in sales to £195.4m (£125.8m) following acquisitions.

Mr James White, chairman and chief executive, explained that a new management team had been told to do all the necessary "tidying up" in 1989.

"Previously the business was run by people from the lumber industry. The people brought in are from a financial and marketing background, and they are more attuned to the customer. They have reduced manning by merging operations, reorganising the sales force and using computers," said Mr White.

On the manufacturing side, the group's traditional cigarette filter business was affected by the upheaval in China, where he said 280m men smoke at least a packet a day – only 25 per cent of it filtered. This division contributed £16.3m to trading profits on sales of £159.9m.

Plastics, which pitched in a £10.3m profit, saw the gain made by the industrial side more than offset by a slump in consumer products. Mr White said the closure of two factories had led to a loss of market share in an already difficult UK environment.

Other reasons given for the profit reversal included reductions of about £7m each in the contributions from discontinued activities and property. "More exacting accounting standards with regard to Brazil" saw off another £3.5m and currency trading made a similar loss because sterling fell against the dollar "when we thought it would strengthen."

Earnings per share, after a higher tax rate, fell to 9.2p (14p). A final dividend of 3.3p makes a total of 5.9p (5.7p).

● **COMMENT**

Mr White's line is that 1989 was the year the stables were mucked out. The sale of companies is set to reduce gearing to about 40 per cent; the remaining businesses have been reviewed and the "hits" taken. Now the mature, cash-generative paper and filters base will fuel the growth areas of building materials in the US and plastics in Europe. In place of a head-long rush for growth, there will be a painstaking and gradual approach – which might cost the best part of £100m but it will be spread over the next five years. Giving credit for further improvement to some of the core businesses, particularly coarse paper and industrial plastics, and to the geographic spread, pre-tax profits may rise to £74m. A prospective p/e of about 9 retains an element of risk.

FIVE YEARS IN THE LIFE OF BUNZL

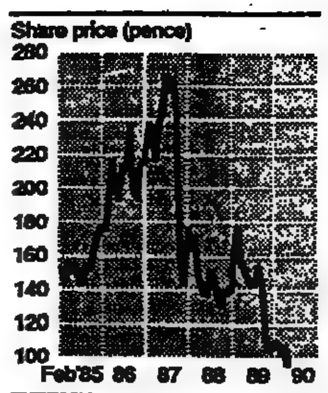
1985
February: 1-for-4 rights issue to raise £58m
May: Failed £117m bid for Brammer, bearings distribution company
October: £30m paid for Stewart Plastics
£35m paid for United Parcels
Result: pre-tax profits of £42m on sales of £789m.

1986
April: £27m paid for Robert Moss, plastic injection mouldings group
September: 1-for-3 rights issue to raise £191m
Since the Feb 85 rights issue, £220m spent on 24 companies
Result: pre-tax profits of £65m

1987
May: £24m paid for Collins Foodservice, California
October: £38m paid for EESCO, Chicago electrical equipment group
Dec: £28m paid for Wilhelm Seiler, West Germany, paper distribution
Result: pre-tax profits of £88m.
From the beginning of 1986 to April 1988 a total of £340m spent on 55 purchases

1988
July: York Trailers sold to management for £24m
December: Paper trading subsidiary sold to management for £22m.
Disposals in 1988 raise £60m
Result: pre-tax profits of £93m.

1989
May: Sale of loss-making transport business to management for £38m
September: Announcement of a string of disposals expected to raise £150m
September/October: Bought Webster Plastics and Benco Building Products, both in the US, for a total of £15m
Result: pre-tax profits of £65m on sales of £1.6bn



Singer & Friedlander rises 19% to £22m

By David Lascelles, Banking Editor

SINGER & Friedlander, the property and merchant banking group, yesterday extended its long history of rising profits with a record result for 1989.

However, Mr Tony Solomons, chairman, uttered a cautious note about the prospects when he said that the new year had begun "quietly".

The group earned £22.02m before tax, a rise of 19 per cent over the £18.5m returned for 1988. Earnings per share were up 17 per cent to 6.54p.

The bulk of the profit came from banking which earned £13.1m, up from £12m. Most sections of the bank, including corporate finance, lending and asset management, performed well. The exception was the asset trading division which specialises in Third World loans. Trading in this market has slumped and Mr John Hodson, chief executive, said it was unlikely to improve quickly.

However, Singer is now diversifying into counter-trading and barter in order to develop a new stream of earnings.

Earnings from property fell from £2.8m to just over £2m, reflecting the sale of the Centrovincial Estate property subsidiary during 1988. However, earnings from interest and investment income rose sharply from £3.6m to £6.9m thanks to the re-investment of the proceeds from the Centrovincial sale. Singer still has £30m of it available but has earmarked the money to redeem loan stock unless more attractive investment opportunities appear.

Singer now has a policy of investing in attractive business situations. It has bought 24 per cent of Takare, a nursing home company, and 19 per cent of Ferrari, a computer maintenance operation. It also has 19 per cent of Apricot, the computer manufacturer, where it anticipates that new management will bring about major improvements.

Mr Solomons said that although it was too early to forecast results for 1990 as a whole, "business in the current year has opened quietly".

The dividend is being raised by 25 per cent to 2.8p via a final of 1.8p.

● **COMMENT**

The overall result consists of an 8 per cent rise in profits from the core banking business which is unexciting by the standards of the other merchant banks which have reported in the last few weeks. But this is overlaid by a near doubling in interest and investment income, demonstrating the usefulness of Singer's cash pile in these times of high interest rates. This suggests that even if business does turn out to be slacker this year, the impact on the bottom line should be limited. Certainly, the steadiness of Singer's performance over the years (this is the 16th consecutive year of internally generated profit growth) points to the management's ability to handle the thin as well as the thick. But the shares have been conspicuous absentees from the recent run-up in the merchant banking sector reflecting market uncertainty about the group's industrial investment policy as well as the intentions of its major shareholders. The shares rose 2p to 60p on the results, which were much as expected, leaving them yielding 5.5 per cent gross.

Trafford Park down

Profits of Trafford Park Estates, a property investor and developer, declined slightly from £1.74m to £1.62m for the six months to end-December.

Turnover totalled £4.97m compared with £3.48m.

Earnings dipped to 1.61p (1.91p) after tax of £538,000 (£461,000) but the interim dividend is a same-again 0.85p.

Directors said the current period was one of consolidation.

London & Metro rises 12% in spite of difficult conditions

By Paul Cheeseright, Property Correspondent

LONDON & Metropolitan, the property development group, lifted 1989 pre-tax profits last year by 12 per cent and earnings per share by 4 per cent in spite of the spread of difficult conditions in the commercial property market.

This is a slower rate of growth than L&M has achieved in recent years. Lower returns and a greater availability of property at a time when business expansion has been tailing off and financial charges have been increasing have hit all property companies.

Profits were £15.58m, compared with £13.87m. Turnover was £38.9m (28.1m). After tax of £3.9m (£3.74m) earnings per share rose from 20.5p to 21.32p.

The proposed final dividend is 4.25p, bringing payments for the year to 6.65p, against 6.2p.

The stock market was not particularly impressed and, on a day when the sector as a whole was weak, the shares lost 14p on the day to close at 108p.

In the second half the main characteristic of the property market was the absence of UK institutional buyers, a key factor for companies, the main aim of which was to find sites, develop a building and then sell it on, the company said.

The immediate prospects for the present year were no better but L&M had sought to protect itself by adopting a development programme of geographical diversity, operating in towns around London, the north west of England and Scotland, rather than in the City of London.

At the same time it had sought to escape from the traditional cycle of the British market by starting developments in continental Europe. Development of a golf-related leisure complex in Provence has started, Mr David Lewis, the chief executive, said he hoped construction of other projects would start within the next six months.

On the financial side, the company had limited the amount of interest it was prepared to capitalise and had written off £1.2m of financial charges as an exceptional item. Net interest receivable improved from £2.9m to £3.43m.

Cornhill advances by 15%

By Andrew Baxter

CORNHILL INSURANCE, a UK subsidiary of Allianz of West Germany, Europe's largest insurance group, increased pre-tax profits by 15 per cent last year from £28.8m to £33.1m.

Premium income from general business rose 14 per cent to £461.8m. But life premiums fell from £125.8m to £76.7m due to a fall in single premium business.

Cornhill said 1988 proved to be the peak of the current UK general business profit cycle with high investment income resulting from strong cash flow and high interest rates.

However, the rate of decline in 1989 was quite gentle. This was largely due to mild weather which reduced claim frequency, particularly on the property side and also to some degree in motor insurance.

Mr Ray Treen, general manager, said the pace of property decline was accelerating and spreading from the commercial accounts to personal line accounts.

The life division faced difficult trading conditions, with considerable expense in complying with Financial Services Act regulations.

In liability business, Cornhill suffered an insurance loss, only partly mitigated by high levels of investment income. Mr Treen said rises in the incidence of claims and in the cost of settlements and court awards "are not being matched by hardening rates for insurance protection".

UK COMPANY NEWS

International operations offset adverse effects of the collapse in the UK and US housebuilding markets, **reports Andrew Taylor**

Steetley improves 27% to £111m

STEETLEY'S investments in France and Spain paid off last year as the building materials group increased pre-tax profits by 27 per cent to £110.93m in spite of a fall in brick profits due to the collapse of the UK and US housing markets.

International profits rose by more than half from £30.49m to £47.74m after taking into account a sharp fall in US profits from £4.32m to £2.67m.

Profits from France, where Steetley is the country's biggest aggregates producer, rose from £14.75m to £24.15m.

The group last week announced its second large acquisition of a French aggregate company in the past six months, agreeing to pay FFr850m (£92.4m) for sand, gravel, limestone and concrete businesses owned by Mr Vasco Gobitta in the Ile de France region around Paris.

Last September it paid FFr407m for a 75 per cent stake in Callet, a family-owned aggregates business in Provence.

Following these moves, Steetley has about 10 per cent of the French market. Ciment Francais is the next largest producer with between 7 per cent to 7.5 per cent of the market.

Steetley has also invested heavily in Spain where it is the largest aggregate and ready-mixed concrete producer in the Madrid region – one of the fastest growing construction markets in Europe.

Profits from other European countries, almost all emanating from Spain, more than doubled from £3.51m to £8.06m.

Canadian profits also rose sharply from £7.9m to £12.86m, reflecting about a 4 per cent volume growth and a big improvement in costs according to Mr Richard Miles, group managing director.

He said overseas earnings now accounted for 41 per cent of group operating profits. The rise in UK profits was more prosaic increasing by only 9 per cent from £62.06m to £67.74m.

Profit increases from higher aggregate sales were offset by a sharp fall in brick sales due to the decline UK housebuilding, said Mr Miles.

Turnover rose by a quarter from £524.69m to £654.6m. Earnings per share expanded 15 per cent from 40.1p to 45.96p, and the final dividend goes up to 9p making a 20 per cent increase for the year from 11.5p to 13.75p.

● COMMENT

France last year accounted for just over a fifth of Steetley's operating profits. This compares with less than 5 per cent in 1985. As a result of its endeavours in France and in Spain Steetley has been able to shrug off the sharp downturn in the UK housing market. This seems likely to continue until the end of this year – depending upon UK interest rate movements. The bias in favour of developments north of Watford compared with an overbuilt south east England should also work in the group's favour although it will be hard pressed to match last year's UK performance. Steetley's new French acquisition should, however, make a positive contribution to earnings this year. The group should be capable of making £115m putting it on a prospective p/e of about 8.5 which still looks cheap given the strength of its continental operations.

Marley declines by a fifth to £56.2m

THE ELEVATOR of demand for building materials in Britain has plummeted six floors and stayed there following the collapse of the UK housing market, according to Mr George Russell, chief executive of Marley, the building materials and automotive components group.

Pre-tax profits last year fell by a fifth from £70.2m to £56.2m. This came in spite of a 21 per cent increase from £19.9m to £24.1m in international profits.

UK profits, by comparison, fell by almost a quarter from £56.4m to £42.6m. Mr Russell blamed a sharp fall in UK housebuilding and residential repair and maintenance work triggered by high interest rates.

Group turnover increased from £600.8m to £636.4m. Earnings per share fell by 12 per cent from 17.1p to 15p after tax reduced from £22.9m to £15.3m. A same-again final dividend of 4.25p makes a maintained total of 6.35p for the year.

Mr Russell said the company's fortunes, in spite of the recent move into car component manufacture in the UK, were still allied to housing demand in the UK, US and continental Europe.

Profits from concrete blocks had fallen from £19m to £11.8m. Brick profits in the UK and US had fallen from £12.6m to £8.7m.

Tony Andrews

George Russell: demand for building materials has plummeted

International profits rose reflecting strong performances from concrete roof tiles in France and the US and plastic products in New Zealand and West Germany. Profits from plumbing and other plastic products increased by a quarter from £10.2m to £12.8m.

Group profits would also have been lower but for a £1.4m increase in property profits from £9.6m to £11m.

The big disappointment was a fall in profits from £4m to £1.9m from the new automotive division.

● COMMENT

Unfavourable comparisons by analysts were yesterday being drawn between Marley and Steetley which chose to announce year end results on the same day. Marley, it was pointed out, was roughly the same size in 1985 as Steetley which yesterday announced pre-tax profits almost twice those of Marley. In the intervening years Steetley has bought shrewdly in growth markets in France and Spain. Marley, meanwhile, has acquired Nottingham Brick in the UK, General Shale in the US and moved into the automotive components business – all of which performed poorly last year and have still to show their true potential. To be fair, Marley has worked very hard to improve its balance sheet and costs are tightly under control. It is arguable that the company in previous years might not have survived the present recession in UK housebuilding. A prospective p/e of of between 11 and 12 and profits of £46m, however, does not leave much room for immediate improvement on a share price of 128½p – bid speculation notwithstanding.

Electrocomponents issues second writ against STC

By Charles Leadbeater

THE LEGAL row which started last year between Electrocomponents and STC, Britain's leading electronic component distributors, took a further twist yesterday when Electrocomponents issued a second writ against its competitor.

Electrocomponents, which last year started legal action against STC for infringement of copyright on a parts catalogue, yesterday issued a writ against the company alleging it had misled customers over the origin of the goods they were receiving.

RS Components, Electrocomponents' main subsidiary, alleged that STC's components distribution division was passing off goods as if they were RS's. Customers who had ordered RS goods from the STC division had received different goods, Electrocomponents said.

RS also claims that STC's catalogue misrepresents which companies are the suppliers of the goods supplied by Electrocomponents.

Last July RS issued a writ claiming that STC had infringed copyright by publishing a parts catalogue which included several thousand unique parts numbers for RS components.

STC said it would strenuously defend the cases and denied any liability. It said RS Components' claims were insignificant and immaterial.

Mr Norman King, Electrocomponents' marketing director, said: "If we thought the costs involved in this case were not substantial we would not have taken this step."

NEWS DIGEST

Lopex in 27% rise to £8.3m

Lopex, the advertising and marketing services group, increased its pre-tax profit by 27 per cent from £6.52m to £8.28m in the year to December 31 on turnover which gained 33 per cent to £188.71m.

Mr John Castle, chairman and chief executive, said he was confident that 1990 would be another year of progress.

After tax of £3.2m (£2.57m) and minorities of £544,000 (£600,000) earnings per share emerged at 22.45p (20.41p). There were extraordinary losses of £611,000 (£166,000). The dividend rises from 6p to 6.9p with a proposed 4p final.

Advance to £1.8m at Servomex

Servomex, which designs, manufactures and markets instrumentation for the analysis of gases, announced pre-tax profits up from £1.62m to £1.8m for 1989. Turnover expanded to £14.51m against £12.22m.

Directors said that as a result of a good last quarter order performance, the company entered 1990 with a strong order book.

After tax of £672,000 (£584,000) earnings per share emerged marginally lower at 12.1p (12.2p). The company is proposing a dividend of 3.6p.

Baillie Gifford Japan assets slip

For the half year ended February 28 diluted asset value per share of The Baillie Gifford Japan Trust stood at 691.9p compared with 711.3p six months earlier.

Net loss for the half year emerged at £235,244, a sharp rise on the deficit of £81,238 incurred for the same period of the 1988-89 year. Loss per share amounted to 2.14p (0.8p).

Allied Partnership makes further gains

Allied Partnership Group, involved in plant hire, food distribution and warehousing, reported a 16 per cent improvement to a record £6.25m in pre-tax profits for 1989.

Last time there was an exceptional £4.48m profit from the sale of a property development site. Turnover rose to £111.42m (£81.39m).

Earnings were 6.28p (6.08p before exceptional item). The dividend is 2p (1.75p) with a proposed final of 1p.

UK COMPANY NEWS

£250m takeover makes it a 'year of achievement' for enlarged high street food chain

Bejam helps lift Iceland Frozen Foods to £35.4m

By Maggie Urry

ICELAND FROZEN Foods, the freezer centre chain, yesterday reported a surge in annual pre-tax profits from £9.03m to £35.41m largely because of the takeover of the rival Bejam group in January 1989.

Fully diluted earnings per share rose by some 12 per cent to 23.94p, reflecting the shares issued in connection with the £250m acquisition.

The combined group made sales of £672.1m (£205.2m) and the interest charge was £6.4m (£977,000). Pre-tax profits included £777,000 (£170,000) of property profits and the interest charge was net of capitalised interest of £703,000 (£645,000).

The original Iceland business increased food sales by 24 per cent to £254.8m, and the Bejam business saw food sales fall by 7.7 per cent to £365.5m.

Mr Malcolm Walker, chairman and chief executive of Iceland, and one of the original founders of the company which celebrates its 20th anniversary this year, said it had been a year of achievement for the group. The shares rose by 21p to 269p yesterday, reversing some of the sharp fall from a peak of 402p last September.

Mr Walker repeated remarks he made last year that Bejam had been trading worse than he had feared when Iceland took it over. He said sales of £35m had been "lost" by Bejam, which had affected group profits. However, he was confident that the Bejam shops which had been converted to the Iceland format were showing sales gains once more.

So far 124 Bejam shops have been refitted at a cost of £20m, and a similar number of refits in the current year, at the same cost, would complete the changeover of Bejam stores. Also last year 42 new Iceland stores were opened, a further 30 are due to open in 1990 and a higher number in 1991. Mr Walker said he felt there was room for 1,000 Iceland stores in the UK as a whole.

The company had debt at the year end of £81m, Mr Bernard Leigh, finance director said, representing gearing of 86 per cent. This would rise initially this year but then fall to 60 per cent by the end of 1990 and under 50 per cent by the end of 1991, he predicted. Some £30m of the group's debt is at a fixed interest rate of under 10 per cent, the rest pays floating interest rates.

Mr Walker countered suggestions that Iceland was facing increasing competition from superstore retailers saying that shoppers use high street Iceland stores as convenience stores between superstore trips. Out-of-town Iceland stores benefit from freezer owners' bulk buying, spending, perhaps, £20 in one trip.

A proposed final dividend of 4.2p gives a total of 6.2p (5.25p).

Malcolm Walker: trading at Bejam worse than feared

● COMMENT

The rise in Bejam's shares is a little puzzling, since the figures were slightly worse than expected, but can perhaps be explained by the drop since the interim results last September and the thinness of the market in the shares. Iceland put on a confident presentation to analysts yesterday, though it is easy to put the blame for any disappointment on Bejam. For the current year pre-tax profits could reach £42m, after an interest charge up to about £11m, suggesting a p/e of 9.5. However, after last year's downgradings and with the debt burden so high it may pay to be cautious this year.

QS Holdings set to join main market with an initial tag of £39.3m

By Clare Pearson

QS HOLDINGS, a south of England-based retailer of family clothing, is braving uncertain conditions in the high street and joining the main market at an initial value of £39.3m.

The company is selling 27.7 per cent of its enlarged share capital, but the placing raises just £2.1m worth of new money.

On a pro forma basis, and notional 35 per cent tax charge, the placing price of 100p represents a p/e of 10.25. The notional gross dividend yield is 5 per cent.

About threequarters of the existing shares being sold come from the Berry family, which founded the company from which QS evolved about 60 years ago. The balance is being sold by management. The Berrys retain a majority holding after the placing.

In the year to January 26, QS made pre-tax profits of £5.52m (£4.25m). That was after net interest receivable of £533,000 (£394,000). Sales were £35.67m (£27.3m).

On the current year, QS said it had "started well with sales targets being comfortably achieved" and the directors were "confident of another year of progress." It plans to increase sales area, which rose by 30 per cent last year to 118,000 sq ft, by at least another 10 per cent in the current year.

Mr Nigel Tibbles, chairman, said although the company had no need of extra funds at the moment, the stock market listing would help its "controlled expansion" and also help it to motivate staff. No acquisitions are planned at present.

Panmure Gordon is sponsor to the placing.

Avena has 33.1% of Runciman

By Clare Pearson

ACCEPTANCES IN respect of just 0.2 per cent of the shares in Walter Runciman, the shipping, security equipment and insurance group, had been received by Avena, the diversified Swedish group, by the first closing date of its hostile £47.8m cash offer on Monday.

The bidder additionally owns 28.5 per cent of the shares and prior to the start of the offer period had secured acceptances in respect of about 4.4 per cent.

Avena, which is being accused by Runciman of launching a "highly leveraged bid", yesterday for the first time gave the London market up-to-date information on its level of gearing.

This came along with Avena's 1989 results which showed pre-tax profits doubled to SKr80.7m (£8.18m).

The company, involved in property, security equipment and construction, said its adjusted equity at end-December stood at SKr1.18bn (£120m). In its offer document, it had shown net debt of SKr3.17bn. To finance the Runciman bid, it has arranged a £40m loan facility.

The adjusted equity figures included surplus value on investment properties amounting to SKr631m (SKr308m) but excluded surpluses on land, work in progress and shares in subsidiaries.

Runciman said yesterday: "It comes as no surprise that Avena has received negligible support for its highly leveraged offer." The company's shares were yesterday unchanged at 548p, compared with Avena's offer price of 520p.

ASD ahead to £7m in spite of second half fall

ASD, the USM-quoted steel stockholding and distribution group, reported 1989 pre-tax profits 9 per cent ahead at £7.03m, against £6.45m.

However, the second half figures were hit by rising interest rates leaving profits for the period down from £3.1m to £2.8m.

Mr Ralph Oppenheimer, chairman of the Leeds-based company, said the year had begun well but by the end UK steel production and consumption were declining. Steel stockholding profits were disappointing but the non-steel distribution activities had a successful year.

He expected trading in the first half of the present year to be difficult but added that the company intended to continue its capital investment programme.

In the year under review Roberts Fraser & Sons had an outstandingly successful year exceeding all expections, Mr Oppenheimer said.

In the property division a revaluation showed a substantial surplus.

Turnover improved 42 per cent to £205.86m (£145.16m) for operating profit of £11.94m (£8.76m). The interest charge increased from £2.81m to £4.91m.

After tax of £2.18m (£2.03m) earnings came out at 14.2p (15.5p). There was an extraordinary debit of £242,000 relating to the closure of Minster Stainless Strip.

A recommended final dividend of 1.7p makes a total for the year of 3.4p (3p).

NEWS DIGEST

Halstead falls to £3.15m

REDUCED pre-tax profits of £3.15m compared with £3.31m were announced by James Halstead Group, the floor covering, clothing and trailer tents manufacturer, for the half year to end-December 1989.

Mr Vincent Clare, chairman, blamed the downturn on a severe reduction in demand for Belstaff's manufactured products. Corrective action had been taken to reduce production capacity in line with demand. However, the floor coverings business had a good first half, he said.

Turnover moved ahead from £24.93m to £27.15m. The interim dividend is lifted to 4p (3.75p), payable from earnings per share of 14.16p (14.92p).

Growth returns at Bilston Enamels

Bilston & Battersea Enamels returned to the growth path in 1989 with record taxable profits of £565,000 — 80 per cent higher than the depressed £314,000 of the previous year.

The company said that action taken in November 1988 had been successful with the reduction in operating costs enabling margins to rise by 2 percentage points.

Turnover increased to £4.83m (£4.13m) with the UK performing strongly helped by a full year's sales to Harrods. Overseas sales rose by 11 per cent with the largest advance being in the US.

After tax of £201,000 (£111,000) earnings per share were 8.6p (4.8p). A proposed final dividend of 3p lifts the total to 4.75p (4.2p).

InishTech at I£2.8m after restructuring

InishTech announced pre-tax profits of I£2.82m (£2.72m) for the nine months to December 1989. Profits were I£497,000 for the year ended March 31 1989.

The Dublin-based former venture capital investment company became a subsidiary of James Crean in January 1989 and changed its activities to those of an industrial holding company with interests in disposable products.

Directors said the company's policy of retaining profits for reinvestment should be maintained in the light of its current development programme. Accordingly there is no dividend. Earnings per £1 share were 23.7p (3.9p). Turnover was I£17.88m (I£3.5m).

Alexander Russell hits £2.11m

Alexander Russell, the Glasgow-based company with interests in mineral extraction and related activities, returned profits of £2.11m pre-tax from a turnover of £32.67m for the nine months to December 31.

The company has changed its year end and the figures compare with £3.75m and £38.9m respectively for the 12 months to March 31 1989.

Basic earnings for the nine months emerged at 4.31p (6.01p for the period) and a final dividend of 1.07p makes a 1.61p total. That compares with the 2.04p paid for the year to end-March 1989.

IOM Steam Packet rises to over £3.5m

Pre-tax profits of the Isle of Man Steam Packet Company rose by £391,000 to £3.53m in the year to December 31 on turnover up from £18.22m to £21.1m.

After tax of £616,000 (£563,000) attributable profits were £2.91m (£2.58m). Earnings per share, based on pre-tax figures because of Manx tax requirements, rose from a restated 20.9p to 23.5p. A final dividend of 3p makes a total of 4p, a 1p improvement on 1988.

Investment income boost lifts Willis Faber to £62m

By Vanessa Houlder

WILLIS FABER, insurance broker, yesterday announced a 15 per cent increase in 1989 pre-tax profits from £54.4m to £62.3m. Earnings grew for the first time since 1986, with a 18 per cent rise to 15.92p.

A sharp rise in investment income less interest payable from £20.6m to £29.7m helped offset a decline in income less expenses.

Total brokerage and fee income grew by 4 per cent to £237.8m. After taking account of exchange rates and acquisitions and disposals, the underlying growth was also 4 per cent. Expenses increased by 6 per cent, excluding exchange rate movements, as a result of increased employment costs.

New orders offset low premium rates in Willis Faber & Dumas, which reported unchanged brokerage income of £101m. Growth was particularly strong in international and London market reinsurance business.

Willis Wrightson, the retail broker, increased its brokerage and fee income by 9 per cent to £53m, despite premium rate reductions. Willis Faber International increased income by 15 per cent with strong performances from the US and Bermuda. Willis Consulting Group grew by 20 per cent.

The company underwriting agencies increased their income by 17 per cent, partly as a result of profit commission on the 1986 year of account.

The London and North American insurance companies improved their contribution after a 11 per cent increase in premiums and a 42 per cent increase in investment income, partly offset by losses from Piper Alpha, the Californian earthquake, Hurricane Hugo and other disasters.

Profits fell at Willis Faber & Dumas (Agencies) from the 1988 figures, which included profit commission from the managing agency businesses divested in 1985.

The sale of its Morgan Grenfell stake made an extraordinary profit of £49.3m.

The final dividend was increased by 7 per cent to 8.15p, making a 5 per cent increase in the total to 12p (11.48p).

● COMMENT

These results wrong-footed most analysts and Willis Faber's shares rose 10p to 257p in response. A surge in 1989 investment income and good new business growth combined with a solid dividend increase and an unusually informative presentation managed to convey a rather more optimistic stance than at the half way stage. However, many observers expect this year to be an uphill struggle. Premium rates continue to be under pressure and UK wage inflation will lead to a hefty increase in costs. Estimates vary, but assuming, conservatively, that pre-tax profits this year clear £70m, the shares are on a fully valued p/e of 14.5.

Pittard Garnar reaches £4m

By Nikki Tait

PITTARD GARNAR, one of Britain's two remaining quoted leather companies, yesterday unveiled pre-tax profits of £4.04m for the year to end-1989.

This represented a sharp improvement on the previous year's total of just £849,000. However, during 1988 Pittard suffered a disastrous first-half; in terms of second half profits, 1989 showed showed a 40 per cent fall, from about £3.34m to £2.03m.

This relatively disappointing performance was blamed by Pittard on two principal factors: a high interest burden and continuing losses in its shoe and leathergoods division.

At the pre-interest level, profits improved from £5.88m to £7.4m, with all divisions – aside from the shoe business – showing an advance. Sales were £133.09m (£128.15m).

Pittard's original gloving division saw a 38 per cent increase in operating profit overall, although the company said the second half did not quite match the performance of the first six months.

Equally, the clothing leather and chamois side made healthy progress, with Pittard claiming to pick up market share on the clothing side. Even the trading division, which produced losses of some £700,000 in 1988, turned round to a small operating profit last year.

On the shoe and leathergoods side, however, losses jumped fairly sharply, in spite of further emphasis on exports which now account for about 30 per cent of sales. Pittard said that it had changed management and brought in consultants. Its current aim is to concentrate on higher-added value products.

Interest charges, however, clipped a hefty £3.36m (£2.75m) off operating profits, with year-end gearing standing at 80 per cent. Raw material prices on both the sheepskin and hide fronts were high towards the end of the year, and hence Pittard was obliged to finance expensive stock levels. It said that there had been some signs of prices falling back in the current year and that it was aiming for year-end gearing of about 50 per cent. Surplus assets, which might raise some £3m-£4m, have been identified.

In the meantime, the group said that it was waiting to see how events unfold at Strong & Fisher, the rival leather company which owns 27.4 per cent of its shares. In February S&F said it was renegotiating its own extensive borrowings in the wake of the sharp fall in the value of the Pittard stake, but no further announcement has been made.

Earnings per share, after a 29.7 (28.5) per cent tax charge were 11.8p (3.5p), and the final dividend is pegged at 4.15p, making 6.1p (5.9p) for the year.

Conder soars to £10.4m

CONDER GROUP, the property developer which provides a range of services and products for the construction industry, yesterday reported a 67 per cent improvement from £6.26m to £10.42m in pre-tax profits for the year to December 31.

Mr Christopher Stewart-Smith, chairman, said that strong organic growth from core businesses was the main factor in the trading performance.

Property development growth continued in both activity and profits. On the projects side turnover grew to over £120m, more than double that of the previous year.

Excellent results were achieved by the steel structures business in a buoyant UK market and IEI had a highly satisfactory year.

There was a cautionary note in the tail, however. Market conditions turned down in the third quarter of 1989 and were now notably less favourable than they had been.

Group turnover last year increased 77 per cent to £300.3m (£169.8m) and although the proportionate tax charge increased from 15 per cent to 32 per cent, earnings per share rose from 65p to 85p.

A final dividend of 10p is recommended to make a total of 16p (11p). It is also proposed to sub-divide each 25p ordinary share into five ordinary 5p shares.

Scot Heritable profit setback to £10.1m

Scottish Heritable Trust, the York-based property and industrial holding company has recorded its first setback in profits in six years with a downturn of £2.6m to £10.1m in the year to end-December last.

Mr Cochrane Duncan, chairman, told shareholders that a slowdown in UK property sales together with start-up costs of the new modular housing plant in Alabama, US, contributed to the shortfall.

But the figures showed a turnround from a loss of £270,000 to a profit of £1.6m in the manufacturing division and Mr Duncan noted that the fireworks company (Standard Brock) achieved the highest profits in its history.

Earnings per share for the period were 18p (20.8p) before and 19.3p (18.5p) after adjusting for extraordinary items.

An increased final dividend of 4p (3.5p) is recommended by the directors, making a total of 7p (6p) for the year.

Gestetner Holdings PLC

At the time of the preliminary announcement of the results for the period ended 31st October, 1989, it was stated that the Company would pay a final dividend of 6p per share on 4th April, 1990 to holders of Ordinary shares registered at the close of business on 9th February, 1990, following approval of members at the 1990 Annual General Meeting. For administrative reasons, the Annual General Meeting is now to be held on 19th April, 1990 and the dividend will therefore be paid on 4th April, 1990, as announced, as a second interim dividend in lieu of a final dividend.

Holders of Ordinary shares in bearer form should lodge Coupon 129 at Barclays Bank PLC, Stock Exchange Services Department, 54 Lombard Street, London, EC3P 3AH on or after 4th April 1990 for their entitlement to the above dividend.

Holders of Ordinary Capital shares are reminded that, whilst they have no entitlement to a cash dividend at this time, they are entitled to scrip in lieu of the second interim dividend for the period ended 31st October, 1989. Such entitlement, based upon each Ordinary Capital share registered at close of business on 9th February 1990, is as follows:

based on the average price of	242.235294p
for each Ordinary Capital share held, holders will receive	0.0330257 of an Ordinary Capital share

Fractions of new shares will be sold for the benefit of the Company. Scrip, to be allotted on 27th March 1990, will be despatched to registered shareholders on 29th March 1990.

Holders of Ordinary Capital shares in bearer form should lodge Coupon 129, with allotment instructions, at Barclays Bank PLC, Stock Exchange Services Department, 54 Lombard Street, London EC3P 3AH on or after 4th April 1990 for their entitlement to registered Ordinary Capital shares in accordance with the above.

66 Chiltern Street
London W1M 2AP
26th March, 1990

R.L.E. Lewis
Secretary

Open skies policy subject to delay

Paul Betts on reaction to the MMC referral of BA's proposed 20% stake in Sabena

MR NICHOLAS Ridley, the trade and industry secretary, appears to have taken British Airways completely aback with his decision yesterday to refer BA's £34m acquisition of a 20 per stake in Sabena World Airlines, the Belgian carrier, to the Monopolies and Mergers Commission.

The move is a major blow for BA. The UK carrier had seemed confident, in public at least, that its deal with Sabena, also involving KLM Royal Dutch Airlines acquiring a 20 per cent stake, would be cleared by both the European Commission and domestic regulators. Only last month, Sir Colin Marshall, BA's chief executive, was explaining to a group of American and British financial analysts BA's plans to develop a new European airline hub in partnership with Sabena and KLM in Brussels.

Through this deal BA was hoping to boost its European operations, whose financial performance has been deteriorating during the last five years. At the same time, the partnership with the Belgian airline was one additional component in BA's strategy of continuing to build up its position as a global carrier.

After the fiasco of its aborted deal to acquire a stake in United Airlines last year, BA had clearly hoped for an easier ride with Sabena. The irony is that while BA had always expected the EC to examine the agreement closely, it had not anticipated an anti-trust referral in its home ground especially since both the Belgian and Dutch Governments appeared solidly in favour of the deal.

BA did not hide its anger yesterday. It described Mr Ridley's decision as "ludicrous" since the EC was already scrutinising the deal. "It's a silly Little Englander decision which will make the French, Italians and Germans laugh at the UK shooting itself in the foot," was one wry comment from Speedbird House yesterday.

From the beginning, however, the Sabena deal was seen by the airline industry as a key test of both the EC's attitude to competition and liberalisation in the European airline industry as well as the British Government's own commitment to an open skies policy in the UK.

Immediately after the Sabena deal was signed at the end of last year, Mr Michael Bishop, the chairman of British Midland, the second tier UK carrier in which Scandinavian Airlines System holds a minority stake, filed a complaint in Brussels. He was subsequently heard by the UK Office of Fair Trading last month. Other smaller airlines both in the UK and Europe have expressed concern over the Sabena venture and one, Trans European Airways, in Belgium has filed a complaint in a Belgian court. But Mr Bishop has undoubtedly been the most outspoken opponent of the Sabena deal.

He said yesterday that he was extremely concerned by the deal because it involved the dominant airlines in three adjacent countries. "Together they have the majority of slots at six airports within a 250 mile radius from London," he said. The airports are Heathrow, Gatwick, Manchester, Birmingham, Brussels and Amsterdam. "This would make it very difficult for new airlines to compete against them," he argued.

Mr Bishop added that since the merger of BA and British Caledonian, BA had assumed such a dominant position in the UK that it prevented the introduction of more competition in the market. "Although we have been granted licences to operate routes from Heathrow to Europe, we are finding it difficult to set up new services either because we can't get the slots or because other governments don't want competition," he said.

Mr Bishop also argued that there was a fundamental difference between the UK with its large multi-airline industry and other European countries where the airline industry was concentrated around one national airline.

Under the circumstances, Mr Bishop remarked, what was good for BA was not necessarily good for the smaller British airlines, for the consumer, or for UK commercial interests for that matter.

UK Government officials are understood to be particularly concerned by the implications of the deal on air traffic between the UK and Belgium. Officials claimed BA and Sabena would have 70 per cent of the 1.25m passengers travelling between the UK and Belgium every year. The next biggest airline would be Mr Harry Goodman's Air Europe with less than 10 per cent.

Mr Ridley's decision to refer the BA-Sabena deal to the MMC could also have broader European implications by fuelling the debate in Brussels on competition and deregulation in the EC airline industry. Indeed, the Commission is currently split over airline competition policy. While Sir Leon Brittan, the competition commissioner, and his staff are worried by the current spate of mergers and alliances in the European airline industry, other commissioners have argued that European airlines must be able to build up their critical size to compete against other big international carriers from North America or the Far East.

Apart from the Sabena deal, the EC is investigating KLM's various stakes in other Dutch airlines as well as the recent takeover by Air France of UTA, the French independent long-haul carrier. The deal has also given Air France control of Air Inter, the domestic French airline, and a dominant position in its home market. But the French argue that in Europe, most countries have a dominant airline, including the UK with BA, with a dominant share of their respective domestic markets. "In a liberalised European airline market, our competition will not come from small airlines but from equally if not larger US or Far Eastern airlines. Concentration is bound to happen since the Europeans must compete against other mega carriers," a French aviation official recently remarked.

The big European airlines have also argued that mergers and alliances were designed to make carriers more efficient and cost effective thus enhancing service to customers. Expressing his disappointment at the MMC referral, Lord King, BA's chairman, said yesterday the new Sabena venture was designed "to establish a new hub and spoke airline out of Brussels massively expanding existing services, increasing customer choice and producing long-term benefits for the consumer."

BA claimed that its case was easy to argue on strict competition grounds because the new Sabena would provide more aircraft, more routes and more services giving the customer greater choice. It also said it would not compromise with the UK authorities over its deal to acquire a minority stake in Sabena as it did over the BCal merger when it was forced to abandon certain routes.

It furthermore questioned Mr Ridley's rationale for not referring KLM as well to the MMC. Mr Ridley did not refer the KLM deal partly because it was under investigation in Brussels and he did not believe that BA had the same influence over KLM as it is likely to have in Sabena.

Whatever the outcome, Mr Ridley, one of the advocates of a dual airline policy involving BA and an independent BCal for the UK back in the days before BA privatisation five years ago, has now unleashed a new controversy over open skies which promises to intensify the traditional infighting between airlines and pressure groups to new heights of acrimony.

COMMODITIES AND AGRICULTURE

Court rejects MMB challenge

By Tim Dickson in Brussels

A SOMERSET farm's bold legal challenge to the monopoly purchasing powers of the British Milk Marketing Boards was broadly rejected by the European Court of Justice yesterday.

Cricket St Thomas Estate – known to millions as setting for the TV series To The Manor Born – was told by the Luxembourg based judges that it is required to pay contributions and "financial charges" to the MMBs for milk it sells directly to the retail market, provided such payments are consistent with the "principle of proportionality" under EC law.

At issue in the case was the Boards' exclusive right confirmed by EC regulations to purchase all liquid milk produced in the UK and to equalise the price it pays farmers, irrespective of the final use to which that milk is put.

One of the arguments advanced by Cricket St Thomas Estate was that pasteurised milk is processed milk and does not therefore come under the Boards' monopoly powers. Yesterday's verdict, however, pointed out that "the pasteurisation process, which is a treatment carried out a particular temperature in order to ensure that the milk keeps better, does not essentially alter the nature of the product, which remains milk for consumption, and must therefore be distinguished from other operations, in particular processing operations, which involve converting the milk into a different product."

As for MMB contributions intended to "regulate" the difference between the higher price the likes of Cricket St Thomas can obtain through direct sales and the lower price paid by the Board, the Court said that these were intended to "prevent producer processors and producer retailers from having an advantage over other producers who, being less able to market their milk directly, sell milk to the Board."

UK aims to strengthen intervention board

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S INTERVENTION Board for Agricultural Produce is to change its status from April 2 as part of a government-directed effort to improve its efficiency.

IBAP, which administers within the UK the market regulation and production support measures of the EC's common agricultural policy, is to become an executive agency. It will thus be subject to greater financial disciplines and tougher targets, although still remaining under ultimate government control.

According to a statement by Mr John Gummer, the Minister of Agriculture, establishing IBAP as an agency "will give it the impetus and additional financial and management tools to. . . strengthen its performance and promote a more effective and efficient quality of service to its customers."

Yesterday, Mr Neville Diserens, IBAP's finance director, said that it was hoped agency status would bring the organisation closer to its customers, mainly commodity traders. The Board's Chief Executive, Mr Guy Stapleton, had written to trading associations "for the first time asking what they most needed in terms of service from IBAP."

IBAP was set up in 1973 on Britain's entry to the EC. According to its latest annual report, turnover in 1988 fell by £500m to nearly £2.6bn, or around its 1985-86 level. Almost £2.1bn was accounted for by spending on CAP related measures ranging from payment of export subsidies to the storage of surplus commodities.

The Board has suffered from persistent staff problems over the years, not helped by its location in Reading, where competition for skilled workers is intense. Some re-location is now planned.

However, the greatest customer complaint with IBAP has been its inefficient payments system. Though the backlog is now within the two months required by EC law, new computers are expected to enable payments to be made within three or four weeks, officials said.

● The EC could have Community-wide rules on the control of salmonella in poultry by the end of the summer, Mr John Gummer, UK minister of agriculture has said. Mr Ray MacSharry, the Farm Commissioner, had assured him that proposals on the controls would be published by May.

Britain's poultry industry has complained that controls introduced following last year's salmonella-in-eggs crisis are so tough that they harm its competitive position in the EC.

US environment groups mount attack on 'the scourge of lead'

By Kenneth Gooding, Mining Correspondent

TWO IMPORTANT environmental pressure groups are combining in an effort to drive the US lead industry out of business, Mr Nick Moore, mining analyst with the Ord Minnett financial services group, suggests in the organisation's latest Mining Weekly.

He says the US Environmental Protection Agency and the Environmental Defence Fund have combined "to tackle the scourge of lead."

Mr Moore adds a warning: "Past experience has shown that the EPA and EDF are not toothless organisations. Such is their tenacity that, once they get their teeth into something, they rarely let go."

The EDF launched its campaign with a report which says "millions of children in the US are being poisoned by lead" because they have harmful levels of the metal in their blood. The report says that degrading lead-based paint is probably the primary source of the pollution and the EDF estimates the cost of cleaning up 2m affected homes will be $10bn.

The EDF is recommending to Congress that this be paid for through a $1.25 a lb excise tax on lead to be paid for seven years by miners and fabricators. Mr Moore points out this is more than four times the average London Metal Exchange price for lead which was 30.5 cents a lb last year.

"Importantly, the tax would be levied on imported as well as domestic lead," says Mr Moore.

The EDF says its scheme would "create an incentive to adopt safer substitutes" but Mr Moore points out 60 per cent of the metal produced goes into lead-acid batteries for which no alternative is on the horizon.

"The use of lead in batteries is price insensitive. Thus, battery producers could charge extortionate prices for their product knowing that, within the bounds of their own battery competition, there was no alternative," says Mr Moore.

Meanwhile, the EPA's line of attack is to promote reduced lead mining and smelting and encourage secondary recycling, he points out.

A number of primary lead producers have already moved into the secondary (or scrap) business and the trend is likely to continue. "The emotional battle has already been lost," suggests Mr Moore. "The battle to be won is to convince the legislators that secondary lead recycling is an environmental asset."

Optimism on cocoa agreement extension

By David Blackwell

TALKS ON extending the troubled international cocoa agreement for two years beyond September are progressing well, although financial hurdles remain to be cleared.

"I'm very impressed by the progress we have made," said Mr Peter Baron, chairman of the International Cocoa Organisation's council after a full session yesterday morning. "There is a co-operative attitude which I have not seen for some time. I will do all that I can to keep up the momentum."

Mr Baron was optimistic that a solution to the problems of financing an extension could be found by the end of the week. Producer countries have agreed in principle that the buffer stock manager will be able to sell more than 2,000 tonnes from his 250,000-tonne stock if need be.

The producers, who collectively owe the organisation nearly $140m in unpaid levies, have also committed themselves to gathering funds to finance the maintenance of the buffer stock during any extension of the pact.

The organisation is expected to have $15m left in its coffers by the time the pact officially expires in September. That would be enough to finance the buffer stock for only one year.

All attempts at defending an agreed price range for cocoa have long since been abandoned, and any extension to the agreement will contain no economic provisions. However, if the agreement is allowed to lapse, the buffer stock will have to be sold on the already oversupplied world market.

● International Cocoa Organisation members are considering whether to approach the UN Common Fund for Commodities for recognition as an inter-governmental body. Recognition would allow the ICCO to seek money from the fund for activities such as research and development, marketing and productivity studies.

Presidency and Commission strive to end price deadlock

By Tim Dickson

NEW ATTEMPTS to break the deadlock in the European Community's farm price negotiations are expected this morning.

Mr Michael O'Kennedy, the Irish Agriculture Minister who is currently in the Presidency "chair", and Mr Raymond MacSharry, the EC Commissioner for Agriculture, were working overnight on a new compromise proposal to put to Ministers today.

The key question is how far the Commission will be prepared to soften its demand for a broad price freeze and brighten up a package which many member states feel provides little joy for their increasingly assertive farm lobbies.

THE COURT of Auditors of the EC, the Community's official financial watchdog, has highlighted weaknesses in the private storage arrangements for the pigmeat sector. In a special report published yesterday (Official Journal No C 76) it singles out operations in Belgium, the Netherlands and Italy concluding that resources and methods employed to carry out the various types of control there were "unsatisfactory".

Mr MacSharry has so far shown little willingness to budge, appealing to Farm Ministers not to undermine the EC's position in the international trade negotiations known as the Uruguay Round and emphasising the weakening trend in world cereal markets (and hence the increased cost of disposing of EC surpluses).

Yesterday he received the support of Mr John Gummer, the UK's Minister of Agriculture, for insisting that any reductions in the producer tax known as the co-responsibility levy should be accompanied by equivalent price cuts, though Mr Gummer was less charitable about the Commission's plans to channel special help to small farmers. He said these should be taken out of the package completely.

India to end controls on gold

By R.C. Murthy in Bombay

NORMALLY GOLD-crazy Indians have stayed away from the bullion market at the height of demand for gold since last week, sending prices tumbling, following New Delhi's decision to scrap controls on gold trading.

Zaveri bazaar, the hub of India's bullion trade in Bombay, was plunged into turmoil as the market was gripped by panic selling.

Prices plummetted by 10 per cent in a week and the downtrend is continuing. The current price of R3,100 per 10 grammes is equivalent to $568 a troy ounce, still nearly $200 higher than the London bullion market level, which has also fallen sharply this week. There was no trading in Bombay yesterday because of a festival.

The fall was triggered by the proposed repeal of the 28-year-old Gold Control Act, which prohibited individuals from holding unwrought gold and allowed goldsmiths to keep only 100 grammes as stock in trade while licensed traders were not subject to any restrictions.

The legislation was introduced after a Indo-Chinese confrontation in 1962 to conserve gold for arms acquisition. But the gold control act outlived its usefulness as Indian industry attained maturity and sophistication and relations between the two countries thawed.

Gold traders became a privileged class and acquired vested interest in perpetuating the restrictions on goldsmiths. The proposed repeal, which is part of the Government's budget presented last week, will become effective in April after Parliament approves a new framework to meet demand for gold.

Traditionally, Indians use gold in jewellery and as a store of value providing hedge against inflation. Though new saving instruments like corporate shares have been introduced, gold continues to glister more for Indians than any others.

A sea-change has been seen over the past 28 years on the gold scene. India, which was self-sufficient in the yellow metal through local production and recycled gold, is now a net importer. The supply/demand imbalance lifted local prices to more than a third over the international level making imports attractive.

Gold imports are banned and local production is just two tonnes a year at the state-owned Kolar gold fields in the south Indian state of Karnataka, the country's only source. With recycled gold meeting a third of total demand, smuggling has become the main source of supply. Analysts place India's gold consumption last year at 250 tonnes, of which some 170 tonnes were smuggled.

The Indian government is to decide soon on allowing expatriate Indians arriving in the country to bring gold as part of personal baggage on paying some import duty, which would narrow the gap between the domestic and inter-national prices and at the same time avoid outflow of foreign exchange on gold import.

Schlesinger warns of oil shortage

By Anthony Harris in Washington

WORLD OIL demand may fully stretch existing productive capacity in as little as two years from now, according to Mr James R. Schlesinger, the former US Defence Secretary, Energy Secretary and CIA Director. He forecast a price rise of up to 40 per cent, and described the present outlook as "a threat to national security."

Mr Schlesinger, in evidence to the Senate Energy Committee, tacitly challenged a more reassuring picture which had been offered by Mr John J. Easton, the Assistant Energy Secretary. Both agreed that under present conditions, US domestic output would continue to decline, demanding growing imports.

Mr Schlesinger pointed out that in addition Soviet production was in decline, and output from Iran and Iraq had been lower than expected despite the strong pressure for revenue following the war between them. US demand could rise to 11m barrels a day, up from 7m b/d in 1989.

"The import bill will than likely exceed our trade deficit," he added.

Brazil expects sugar supply problems to continue

By John Barham in Sao Paulo

BRAZIL'S PRODUCTION of sugar-cane is unlikely to increase this year. Government officials warn that Brazil will again have difficulty in meeting its sugar export commitments and forecast a substantial reform of the country's sugar-cane-based alternative fuel policies. Last year, alcohol supplies began drying up and Brazil only just managed to honour forward sugar export contracts.

Nine tenths of Brazil's sugar-cane output is used to produce alcohol. But Mr Paulo Sergio de Souza, an official at the Sugar and Alcohol Institute (IAA), said: "It would take several years to increase sugar-cane production and meet demand for fuel alcohol."

Demand for fuel alcohol is put at 15bn litres a year, but Brazil's distilleries only produce 12bn to 13bn litres. The previous Government held down the alcohol price to control inflation, simultaneously discouraging production and encouraging consumption.

Mr Paulo Cesar Ximenes, a senior official in the Infrastructure Ministry, which manages the alcohol policy, said: "There is a proposal to use fuel alcohol as a mixture, but never as an exclusive fuel. Another is to simply stabilise production of alcohol at present limits."

The new Government's anti-inflation policy has brought a 30 per cent decline in consumption by almost doubling prices and withdrawing two-thirds of the economy's liquidity.

This year's planned sugar-cane production is to be announced next week. However, Mr de Souza said: "at best, output will remain the same as last year and there will surely be a lack of sugar."

Under forward contracts signed with commodity brokers, the IAA must export 1.3m tonnes of sugar over the coming four years at prices below present international prices.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,740-1,780 (1,750-1,780).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 4.00-4.20 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.35-4.50.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 8.25-8.55 (8.10-8.40).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 220-235 (225-240).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.25-3.35 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.60-6.00 (5.50-6.10).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 39-56 (39-57).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 3.80-4.05 (3.75-4.00).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.00 (same).

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD lost no further ground yesterday in London after Monday's dramatic retreat after a huge Middle Eastern sale. But dealers said the market remained nervous, and still looks vulnerable at these levels with some operators still leaning towards a bearish stance. "Gold's got to go some way to recoup yesterday's losses and I cannot see it moving above $372 in the short-term," one dealer said. On the LME copper rallied in morning trading on news that Southern Peru Copper had declared force majeure on blister copper deliveries to the Peruvian government refinery. But by the close the metal had retreated as liquidation and profit-taking emerged following the failure of the Comex May contract to penetrate Monday's high of 116.40 cents a lb. Lead prices regained some of Monday's losses. Despite last week's 6,850 tonnes rise in LME stocks, supplies remain tight and some traders were concerned that lead delivered into warehouses had only been lent by producers. Aluminium prices moved ahead, helped by confirmation of a serious fire at Nalco's aluminium smelter in Orissa, India.

Compiled from Reuter

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.60-5.65y	-.05
Brent Blend	$18.35-8.40y	-.10
W.T.I. (1 pm est)	$20.34-0.36y	-.025
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$225-227	+4
Gas Oil	$158-160	-1
Heavy Fuel Oil	$74-76	-1
Naphtha	$170-172	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)◆	$370.00	+2.00
Silver (per troy oz)◆	490c	+3
Platinum (per troy oz)	$475.0	-11.0
Palladium (per troy oz)	$127.60	-1.15
Aluminium (free market)	$1585	+15
Copper (US Producer)	134½c	
Lead (US Producer)	57.5c	
Nickel (free market)	450c	
Tin (Kuala Lumpur market)	17.12r	-0.12
Tin (New York)	302c	+2
Zinc (US Prime Western)	83¼c	
Cattle (live weight)†	112.70p	+1.07*
Sheep (dead weight)†	241.02p	+16.3*
Pigs (live weight)†	96.65p	-1.25*
London daily sugar (raw)	$372.4w	-0.6
London daily sugar (white)	$446.0w	-0.5
Tate and Lyle export price	£346.5	-1.0
Barley (English feed)	£108.25z	
Maize (US No. 3 yellow)	£132.5e	
Wheat (US Dark Northern)	£133t	
Rubber (May)♥	58.75p	-0.75
Rubber (Apr)♥	57.25p	-0.75
Rubber (KL RSS No 1 Apr)	228.0m	-0.5
Coconut oil (Philippines)§	$370w	
Palm Oil (Malaysian)§	$280z	
Copra (Philippines)§	$250y	
Soyabeans (US)	£170.0	
Cotton "A" index	79.65c	+0.70
Woolstops (64s Super)	578p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Mar/Apr. v-Apr/Jun. w-Apr/May. z-Apr y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ◆ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	339.60	344.40	344.40	339.00
Aug	343.00	347.40	348.20	343.00
Oct	[illegible]	335.00	335.20	331.80
Dec	329.00	328.00	325.80	325.80
Mar	308.00	310.60	310.00	306.00
May	306.00	309.60	308.60	307.80
White	Close	Previous	High/Low	
May	443.0	444.5	444.0	442.0
Aug	437.5	440.0	439.5	437.0
Oct	409.0	411.0	410.0	408.0
Dec	399.5	[illegible]	399.5	398.0
Mar	394.0	396.0	394.5	392.5
May	393.0	395.5	392.0	391.5

Turnover: Raw 3434 (1830) lots of 50 tonnes. White 621 (1751)
Paris- White (FFr per tonne): May 2548, Aug 2540, Oct 2377, Dec 2312, Mar 2300, May 2300

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
May	1843	18.44	1858	1833
Jun	1847	18.49	1850	1838
Jul	1848	18.43		
IPE Index	1850	18.30		

Turnover: 4424 (6765)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low	
Apr	159.00	158.50	159.00	158.25
May	155.50	155.50	155.75	154.25
Jun	155.50	154.25	156.50	154.00
Jul	157.25	155.75	158.75	156.00
Aug	159.00	157.50	159.00	157.00
Sep	161.25	159.75	160.75	159.75
Oct	[illegible]	162.25	163.25	162.00
Nov	164.25	163.25	165.00	164.25
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Turnover [illegible] lots of 100 tonnes

COTTON

[illegible]

JUTE

[illegible]

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	736	740	737	728
May	748	752	756	742
Jul	762	764	770	758
Sep	774	778	[illegible]	770
Dec	798	802	808	794
Mar	819	821	824	815
May	834	835	839	836

Turnover: 4327 (7053) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 26 896.57 (885.54) 10 day average for Mar 27 860.08 (855.59)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	650	653	663	645
May	662	662	678	659
Jul	657	652	665	655
Sep	672	654	676	666
Nov	681	675	689	681
Jan	702	680	702	696
Mar	706	700	710	706

Turnover: [illegible] (3013) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 26: Comp. daily 71.86 (72.41). 15 day average 75.65 (76.11)

POTATOES – IFE (£/tonne)

	Close	Previous	High/Low	
Apr	143.0	136.0	144.0	134.0
May	178.0	175.5	177.5	170.0
Nov	98.0	99.0	97.0	96.0
Apr	144.0	144.0	143.0	139.0

Turnover 531 (434) lots of 40 tonnes.

SOYABEAN MEAL – IFE (£/tonne)

	Close	Previous	High/Low	
Apr	131.50	129.00	129.00	128.00
Jun	129.00	[illegible]	129.00	
Aug	128.50	128.50	128.00	
Oct	[illegible]	129.00	130.50	

Turnover 46 (70) lots of 20 tonnes.

FREIGHT FUTURES – IFE ($10/index point)

	Close	Previous	High/Low	
Mar	1540	1535		
Apr	1506	1495	1509	1490
Jul	1310	1299	1312	1295
Oct	1418	1415	1415	1405
Jan	1435	1430	1425	1420
Apr	1460	1450		
BFI	1546	1550	1546	

Turnover 494 (872)

GRAINS – IFE (£/tonne)

Wheat	Close	Previous	High/Low	
May	112.50	111.60	112.80	112.05
Jun	114.50	113.60	114.90	114.40
Nov	108.35	109.20	109.30	
[illegible]	[illegible]	[illegible]	[illegible]	
Barley	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	

Turnover: [illegible]

PIGS – IFE (Cash Settlement) p/kg

[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 26,125 tonne
Cash	1578-82	1590-2		1586-8		
3 months	1576-7	1594-5	1594/1567	1583-4	1585-7	40,176 lots
Copper, Grade A (£ per tonne)						Ring turnover 69,350 tonne
Cash	1579-81	[illegible]	1615/1570	1612-4		
3 months	[illegible]	1580-1	1598/1538	1580-1	1640-1	67,097 lots
Lead (£ per tonne)						Ring turnover 10,850 tonne
Cash	610-20	605-10	650/640	640-5		
3 months	495-7	495-8	510/497	505-7	499-500	10,496 lots
Nickel ($ per tonne)						Ring turnover 686 tonne
Cash	9300-50	9250-300	9320	9320-50		
3 months	[illegible]	[illegible]	9100/8950	9100-50	9000-50	7,695 lots
Tin ($ per tonne)						Ring turnover [illegible]
Cash	6460-500	6380-5	6455	6450-5		
3 months	[illegible]	6460-500	6580/6550	6535-40	6530-60	6,933 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 13,625 tonne
Cash	1670-80	1680-90	1700/1680	1693-5		
3 months	1575-80	1577-8	1600/1571	1590-5	1570-5	16,730 lots
Zinc ($ per tonne)						Ring turnover 1,800 tonne
Cash	1590-600	1635-40	1590	1590-5		
March 30	1590-600	1520-30		1585-90		[illegible] lots

LME Closing £/$ rate: SPOT: 1.6230 3 months: [illegible] 6 months: 1.5738 9 months: 1.5516

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	369¾-370¼	227½-228
Opening	367¼-368¼	227-227½
Morning fix	368.75	226.836
Afternoon fix	368.00	227.046
Day's high	370¾-371¼	
Day's low	367-367½	
Coins	$ price	£ equivalent
Maple leaf	377-382	232-235
Britannia	377-382	232-235
US Eagle	377-382	232-235
Angel	379-384	234-237
Krugerrand	368-372	227-229
New Sov.	86-88	53-54½
Old Sov.	86-88	53-54½
Noble Plat	480.70-486.30	296.90-301.60
Silver fix	p/fine oz	US cts equiv
Spot	305.60	495.50
3 months	318.25	506.15
6 months	330.10	517.05
12 months	353.95	540.10

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	July	May	July
1500	94	111	14	36
1600	36	56	54	81
1700	9	27	127	147
Copper (Grade A)	Calls		Puts	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Brent Crude

[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	368.7	365.8	0	0
Apr	369.1	366.2	370.6	367.7
May	371.6	368.8	371.3	371.3
Jun	[illegible]	371.4	375.7	372.9
Aug	379.0	376.2	380.4	377.7
Oct	383.8	381.1	384.2	383.7
Dec	388.6	386.0	390.7	387.5
Feb	393.6	[illegible]	[illegible]	393.0
Apr	398.2	395.8	[illegible]	397.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	477.8	483.6	480.5	[illegible]
Jul	483.9	489.3	[illegible]	479.5
Oct	489.5	495.3	490.0	485.5
Jan	495.5	501.3	498.5	493.0
Apr	502.1	507.9	501.3	501.3

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	495.4	495.5	497.0	494.0
Apr	495.6	495.8	0	0
May	499.4	499.7	[illegible]	496.5
Jul	507.5	507.8	509.0	504.5
Sep	516.0	516.2	517.0	513.5
Dec	527.5	527.8	528.5	525.0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HIGH GRADE COPPER 25,000 lbs; cents/lbs

[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

DOW JONES (Base: Dec. 31 1974 = 100)

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	20.50	20.46	20.60	20.26
Jun	20.65	20.55	20.67	20.41
Jul	20.67	20.55	20.69	20.45
Aug	[illegible]	20.46	20.65	20.36
Sep	[illegible]	20.41	20.55	20.30
Oct	20.48	20.36	20.46	20.30
Nov	20.45	20.32	20.45	20.25
Dec	20.40	20.28	20.40	20.22
Jan	20.40	20.24	20.40	20.20
Feb	20.32	20.20	20.32	20.20

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Apr	5506	5468	5505	5435
May	5345	5306	5345	5280
Jun	5300	5247	5300	5225
Jul	5300	5254	5300	5240
Aug	5356	5312	5355	5310
Sep	5465	5432	5465	5435
Oct	5585	5597	5585	5525
Dec	5685	5657	5685	5655
Jan	5660	5692	5710	5680

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1117	1097	1128	1096
Jul	1138	1114	1142	1117
Sep	1146	1129	1160	1133
Dec	1170	1149	1171	1152
Mar	1188	1170	0	0
May	1201	1185	1200	1200
Jul	1218	1200	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	90.08	91.04	92.40	89.25
Jul	91.82	92.85	93.35	91.20
Sep	93.50	94.75	94.60	93.00
Dec	95.75	97.05	96.75	95.75
Mar	98.25	99.20	0	0
May	99.25	100.75	0	0
Jul	102.50	[illegible]	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	15.35	15.55	15.54	15.27
Jul	15.36	15.57	15.53	[illegible]
Oct	14.98	15.07	15.07	14.88
Mar	14.07	14.19	14.10	13.97
May	13.92	14.05	13.97	13.86
Jul	13.77	13.90	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	70.85	70.57	70.93	70.45
Jul	71.17	71.00	71.30	70.86
Oct	65.96	66.10	66.30	65.96
Dec	64.50	64.57	64.64	64.30
May	65.70	66.15	66.12	65.90
Jul	66.06	66.22	66.35	66.35

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	192.75	193.00	[illegible]	192.00
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	600/2	603/4	606/0	599/4
Jul	613/6	617/4	619/2	613/4
Aug	617/4	621/2	623/0	617/0
Sep	615/6	620/0	621/4	615/4
Nov	621/2	625/2	626/4	621/0
Jan	630/4	635/0	635/4	630/4
Mar	640/0	644/4	645/0	640/0
May	647/0	651/0	651/0	647/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.15	21.15	21.15	21.15
May	22.16	22.40	22.48	22.15
Jul	22.27	22.49	22.58	22.26
Aug	22.15	22.37	22.40	22.15
Sep	21.90	22.11	22.17	21.90
Oct	21.56	21.77	21.80	21.55
Dec	21.58	21.67	21.80	21.55
Jan	21.40	21.48	21.65	21.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	173.4	176.2	174.7	173.2
Jul	177.6	178.4	178.7	177.5
Aug	179.6	180.6	180.8	179.5
Sep	181.9	182.2	182.5	181.6
Oct	183.1	183.6	183.7	183.0
Dec	186.6	187.2	187.5	186.4
Jan	189.2	189.2	189.0	188.0
Mar	194.2	194.7	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	261/2	260/6	261/6	260/4
Jul	264/4	264/4	265/4	263/6
Sep	259/2	259/4	261/0	259/0
Dec	256/2	257/2	258/6	256/6
Mar	261/4	262/2	263/4	261/0
May	263/6	264/4	266/4	263/6
Jul	[illegible]	266/6	266/6	266/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	356/0	359/0	359/0	355/0
Jul	340/0	341/2	341/6	[illegible]
Sep	347/0	349/2	349/2	347/0
Dec	359/4	360/6	361/0	359/0
Mar	366/2	368/4	367/4	365/6
[illegible]	370/0	370/0	370/4	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	77.02	77.32	77.37	76.92
Jun	72.65	72.87	72.92	72.60
Aug	72.47	72.47	72.50	72.32
Oct	73.57	73.67	73.70	73.47
Dec	73.95	73.95	74.00	73.80
Feb	74.00	74.00	74.05	73.95
Apr	74.17	77.32	0	74.17

LIVE HOGS 30,000 lb; cents/lbs

[illegible]

PORK BELLIES 40,000 lbs; cents/lb

[illegible]

LONDON STOCK EXCHANGE

Down to earth with a sudden bump

A STRING of disappointing corporate results and a lack of impetus in Tokyo brought the UK stock market down to earth with a bump yesterday, driving the FT-SE Index down by more than 30 points in significantly increased trading volume. Technical pressures inside the London market were suddenly reversed as a leading securities house finished closing bear positions taken on following last week's UK Budget and then backed away from equities.

Market indices were badly hit by a huge fall in Carlton Communications following the sale of Cosworth Holdings, its specialist engines subsidiary,

Account Dealing Dates		
*First Dealings:		
Mar 12	Mar 26	Apr 9
Option Declarations:		
Mar 22	Apr 5	Apr 26
Last Dealings:		
Mar 23	Apr 6	Apr 27
Account Day:		
Apr 2	Apr 17	May 8

*New time dealings may take place from 9.00 am two business days earlier

to Vickers for what was regarded initially as a poor price. Trading news from the shipping and construction group P & O also disappointed the market, and a £127m rights issue from T & N, the engineering components firm, provided further discouragement.

Equities opened lower after a feeble performance by the Nikkei Index overnight, and losses were extended as the flow of company news hit the trading screens. Firmness in sterling had a more conventional effect that in recent days, pointing to harder times for the overseas earning stocks rather than providing comfort on domestic interest rate prospects. ICI turned sharply lower as investors assessed the outlook for the global petrochemicals industry.

The setback in equities gathered pace when UK Gilts, having already reversed early gains, fell away sharply in late dealings. The final reading on the FT-SE Index, taken at 4.30pm since Stock Exchange trading hours changed this week, showed a loss of 32 points at 2,266.2.

"Why we were at 2,300 on Monday"? was the despairing answer of one trader to the question of why the market fell yesterday. Seaq volume increased to 385.9m from the 353.3m of the previous session, and included a £30m trading programme reportedly from Smith New Court, the UK securities house.

There was more "serious business" yesterday, according to a senior trader at a US firm. The flow of disappointing corporate profits news was an unsettling factor for a market which has benefited over the past month from good dividends and earnings statements from major companies. Poor profits news from, among others, Bunzl and Marley, were seen as reminders that there could be gloomier times ahead.

In the wake of the Budget Speech from Mr Major, the UK Chancellor of the Exchequer, the equity market's hopes for an easing in domestic interest rates have been put back to next year. On the international front, the continuing weakness of the Yen, reflected in the new uncertainty in Tokyo equities, has re-awakened London's concern over the outlook for global markets.

FINANCIAL TIMES STOCK INDICES

	Mar 27	Mar 26	Mar 23	Mar 22	Mar 21	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	76.31	76.72	76.23	76.03	75.91	87.98	89.29 (8/2/89)	75.91 (21/3/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	85.26	85.29	85.12	85.98	86.14	98.83	99.59 (15/3/89)	85.12 (23/3/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1798.6	1813.5	1798.1	1779.1	1771.4	1708.0	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	269.8	273.6	294.9	290.9	294.7	198.1	378.5 (8/2/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2266.2	2298.2	2283.9	2258.9	2250.3	2069.6	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.90	4.86	4.92	4.97	4.96	4.51				
Earning Yld %(full)	11.80	11.61	11.69	11.81	11.78	10.92				
P/E Ratio(Net)(☆)	10.27	10.44	10.36	10.26	10.30	11.06				
SEAQ Bargns 4.45pm	30,863	28,939	32,761	31,487	25,766	28,346				
Equity Turnover(£m)†	-	717.13	763.48	952.90	844.67	775.58				
Equity Bargains†	-	33,056	34,281	32,862	24,865	32,568				
Shares Traded (ml)†	-	366.5	439.0	476.2	350.1	402.0				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.51

Ordinary Share Index, Hourly changes Day's High 1809.8 Day's Low 1785.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1809.0	1809.6	1797.3	1799.3	1798.5	1798.2	1797.7	1789.7	1788.8

FT-SE, Hourly changes Day's High 2295.6 Day's Low 2265.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2294.1	2295.2	2280.6	2283.0	2281.4	2280.5	2280.0	2270.9	2267.3

GILT EDGED ACTIVITY

Indices*	Mar 26	Mar 23
Gilt Edged Bargains	103.6	107.1
5—Day average	102.8	101.0

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 31 available on request.

London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	1,600	164½	−4½	Cookson	2,100	192	−5	MB Group	1,400	203	−1	Slough Ests	141	276	−3
ASDA Group	2,000	109	−1	Courtaulds	183	337	−1	MEPC	225	407	−3	Smith (W.H.) A	206	302	−3
Abbey National	1,000	182½	−1½	Dalgety	543	394	−1	Marks & Spencer	1,700	195	−3	Smith & Nephew	686	125	−1½
Allied-Lyons	1,200	403	−5	Dixons	2,200	119	−3	Maxwell Comm.	471	181½	−1½	SmKl Beecham	1,500	507	−9
Amstrad	4,200	64	+2	ECC Group	732	391	+2	Mecca Leisure	2,500	120	−3	SmKl Beecham Units	0	2238	−40
Anglian Water	313	164	−4	Enterprise Oil	260	605	−1	Midland Bank	943	342	−3	Smiths Inds.	244	[illegible]	−2
Argyll Group	1,300	208	−1	FKI	478	67	−2	NatWest Bank	1,100	342	−4	South West Water	217	162	−3
Ass. Brit. Foods	9	[illegible]	−2	Ferranti	5,400	41	−2	Next	1,100	92		Southern Water	117	158	−3
BAA	3,400	407	+1	Fisons	769	329	−4	North West Water	1,100	158	−1	Standard Chartd.	443	[illegible]	[illegible]
BAT Inds.	1,200	795	−12	Gen. Accident	117	1075	−4	Northern Foods	88	285	+3	Storehouse	616	117	−1
BET	638	229	−6	General Elect.	2,100	205	−3	Northumbrian Water	552	162	+1	Sun Alliance	528	[illegible]	−9
[illegible]				[illegible]				[illegible]				[illegible]			
British Airways	2,200	206	−6	Hawker Sidd.	373	640	−14	Reed Intl.	715	402	−5	Unigate	649	295	−1
British Gas	3,400	215½	−2	Hillsdown	404	240	−6	Reuters	170	1090	−4	Unilever	880	681	−4
British Land	279	326	−3	IMI	144	225		Rolls Royce	8,200	189	−1	United Biscuits	600	321	−3
BP	2,200	335½	−2½	ICI	1,300	1113	−31	Rothmans	187	649	−14	Utd. Newspapers	79	349	−2
British Steel	3,300	149½	−3½	Inchcape	1,100	275	−5	Ryl Bk Scotland	485	196	−4	Water Package Uts.	5	£1530	−30
British Telecom	5,700	286	−3½	Kingfisher	822	291	−7	Royal Insurance	484	491	−7	Wellcome	479	795	−12
Bunzl	10,000	96	−10	Ladbroke	982	299	−2	STC	885	257	−10	Welsh Water	305	173	−3
Burmah Oil	185	590	−6	Land Securities	126	477	−6	Saatchi	1,300	125	−5	Wessex Water	207	185	−2
Burton	2,500	150	−1	Laporte	709	591	−9	Sainsbury	322	259		Whitbread 'A'	322	385	−6
Cable & Wire.	797	527	−10	Legal & General	489	376	−7	Scottish & New.	1,300	288	−8	Williams Hldgs.	677	247	−1
Cadburys	1,300	317½	−4½	Lloyds Abbey	675	311	−4	Sears	5,700	97	−3	Willis Faber	1,500	256	+9
Calor Group	258	263	−11	Lloyds Bank	1,100	285	−6	Sedgwick	1,250	246	−4	Wimpey	509	244	−5
Carlton Comms.	5,700	590	−81	LASMO	384	593	−5	Severn Trent Water	488	138	−4	Yorkshire Water	492	166	
Coats Viyella	165	128		Lonrho	1,100	272	−2	Shell Transport	2,800	464	−8				
Comm. Union	327	480	−5	Lucas	120	623	−2	Siebe	113	447	−2				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.45 pm.

Heavy setback in Carlton

Carlton Communications fell steeply as analysts cut their profit forecasts in response to a less than bullish comment from the company on trading.

The weakness was initially exacerbated by the sale of the company's specialist engine division, Cosworth, to Vickers, for £163.5m. The market's viewed that figure as below most estimates made since Cosworth was put up for sale last autumn.

The analysts' considered view, that the price was reasonable for both sides, did not reassure the market. Carlton shares suffered from successive bouts of what one researcher called "panic selling." They fell to a low of 585p after New York opened with still further selling. The shares ended the day at 590p, a decline of 81. Turnover, at 5.7m shares, was exceptionally high.

Among analysts to cut their forecasts, BZW was among the most swingeing; they lopped £15m off their current year estimate to £160m. Others were more modest, such as Hoare Govett, which trimmed its figure to £170m from 177.5m.

Most analysts were cautious in their recommendations, suggesting that investors should stay on the sidelines until the dust had settled. One said: "The stock looks reasonable value, but I don't know who will have the guts to buy it." Another added that Carlton was undervalued "if you can live with the inevitable uncertainty."

Prudential active

Preliminary profits from Prudential Corporation up 9 per cent at £385.5m, against last time's £352.6m, were initially regarded as satisfactory. In particular, the dividend, up 15 per cent, was said to have been at the top end of expectations, although one trader said that super-bulls of Prudential were disappointed with the payment.

A subsequent and more thorough examination of the figures brought a re-appraisal and the share price slipped back in keen two-way business to end the session a net 5 off at 201p. Turnover expanded to 7.6m, well ahead of usual levels of business.

The UBS Phillips & Drew (UBS) insurance team described the results as "in essence quite good", but added that growth was expected to slow. UBS rate the shares "a hold — and likely to mark time." The main support will come from the yield and dividend growth, although the latter will probably slow to around 14 per cent, continued the team.

Isosceles stubbed

Isosceles equity stub fell by almost a third on the announcement that capital restructuring is likely in the wake of its failure to sell 81 UK stores to Wm Low, the Scottish retailer.

Talk of a rights issue by the highly-leveraged company, which took over Gateway food retail group with a more than £2bn bid last year, prompted light selling. The stubs closed at a mid-price of £15 per unit compared with £22 the previous day. "The selling pressure wasn't that heavy, but the business was all one way," a market participant said.

One analyst commented: "The stubs will continue to come under pressure until the uncertainty over Isosceles' recapitalisation is cleared up." Meanwhile, Wm Low continued to advance following the collapse of the talks, closing a penny up at 303p.

Norex strong

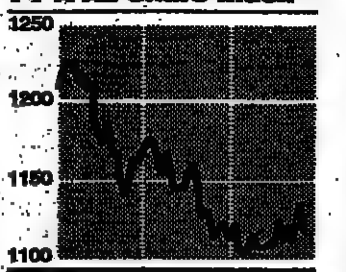
Norex, the transport and insurance company, staged a quick rise to 213p before closing the session 23 up on balance at 200p after analysts had met the company.

Dealers said that buying interest had arisen as a result of the company's purchase in the first few weeks of the year of discounted debt. Norex paid £55m for £77m of paper issued against oil rigs by a US company, Global Marine.

Mr John Morley, who researches the company at broker Hargreave Hale, said: "They timed the deal right." Other sources said that the cash flow from the rigs when the the debt was bought would not have covered their running costs. Since then, rates have risen by half and the Global is in a position not only to pay the 12 per cent coupon, but possibly to repay some or all of the principle.

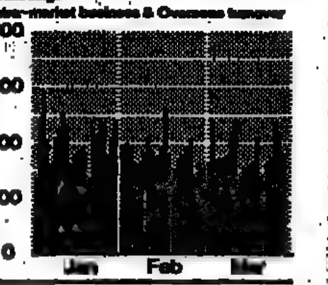
ICI fell 31 to 1113p on a warning from Chem Systems, the Anglo-American consultancy, that the downturn in Europe's petrochemicals sector could last another 3 years. Mr Martin Glen at Shearson Lehman Hutton, who recently had discussions with ICI about January and February trading conditions, also pointed out that shipment of fertiliser products has been severely affected by gales in the UK and that demand in polyurethanes was still weak, especially in the US.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



Mr Glen predicted a 20 per cent fall in first quarter profits to £350m, and said: "It looks like the shares have moved up too far in the short term."

Davy Corp bucked the market trend closing 9 up at 245p, following an announcement that Davy is to buy Clecim Group, the metal engineering division of French company Spie Batignolles. Under the terms of the deal, Davy is to issue Spie Batignolles with 17.4m new Davy shares, 14.7 per cent of Davy's enlarged capital, which Spie Batignolles will hold as a long term investment.

T & N fell 19 to 175p after the company said it was to make a one-for-three rights issue to raise around £127m to finance a $190m cash agreed tender offer for J P Industries, a US based car parts supplier.

T & N said the rights issue would be in two parts with the second part taken up if the offer succeeds. If the offer failed, T & N said the proceeds will be used to reduce borrowings. Dealers were concerned about the possible earnings dilution that the deal would cause and also pointed to uncertainty about the deal's completion. Mr Robert Sassoon at County Natwest echoed those worries but said, "long term, there is no doubt it is a hand in glove fit as north America has been an area of weakness for T & N."

Vickers see-sawed and closed 3 down at 210p, following the announcement that it was to buy Cosworth Engineers, a producer of high performance car engines, from Carlton Communications for £163m. The turbulence in the share price reflected uncertainity among dealers and analysts about the eventual impact on earnings.

Rolls-Royce were once again a good market and the shares held up relatively well, closing only a penny lower at 189p on high turnover of 8.2m shares.

Profit taking and a little nervousness ahead of today's figures were evident around Hawker Siddeley whose shares gave up 14 to 640p.

Lancaster added another 10 to 143p, following Monday's news of the talks which could lead to an offer for the company.

Iceland Frozen Foods unveiled a near four-fold jump in profits to £35m yesterday and the shares advanced 21 to 269p. Mr Paul Smiddy of Kleinwort Benson said the results had set at rest the market's worries about the company's ability to compete with the larger supermarket groups.

He left his current year forecast of £43m unchanged, adding that the shares should hit £3 within a month. Mr Andrew Fowler of Charterhouse Tilney said that short-term Iceland could rise a further 10 and then hold in a range of 280 to 290p. He left his profits estimate unchanged this year at £42m.

Turnover in the banking sector was said by dealers to have been negligible. Standard Chartered lost 10 to 528p as income funds took profits and TSB also suffered, losing 4 to 140p on volume of shares 2.2m.

Willis Faber, the insurance broker, performed extremely well, advancing strongly to close 9 ahead at 256p on turnover of 1.5m, after the group revealed preliminary figures in excess of the market's most optimistic expectations. Pre-tax profits came out at £62.3m against £54.4m, and the dividend total, 12p, caused smiles among analysts.

UBS Phillips & Drew upgraded their current year forecast to £75m and said that the prospective price earnings ratio of 13 times looked "quite attractive." Ms Julianne Jessup at BZW said Willis Faber, "seems finally to have turned the corner to sustainable recovery," and rated the shares a buy.

Speculative buying of Aquascutum, in the hope that the restricted voting "A" shares might be enfranchised, left the market short of stock squeezing the price 16 higher to 150p.

British Telecom dipped 3¼ to 286p on 5.7m; "down with the market," noted one trader. Racal Electronic lost 6 to 205p on 3.7m while Cable & Wireless dropped 10 to 527p on very thin turnover of 797,000.

The latest profits downgrade did little for GEC, which eased 3 more to 205p on 2.1m, while news of the proposed litigation by Electrocomponents saw STC lose 10 to 257p; one specialist said the fall in STC had been "grossly overdone, and that the move would be proved to be of little significance to the group."

Thorn EMI took another tumble, losing a further 20 to 668p with marketmakers convinced that more downgrades are in the pipeline.

Amstrad edged up 2 more to 64p on good turnover of 4.2m still buoyed by the optimism expressed recently by Kleinwort Benson.

BAA defied the overall market trend as investors and traders considered the statement from 8.5 per cent shareholder ADT that the company's articles of association should be changed. The articles say that no person may own more than 15 per cent of BAA.

ADT argued that the changes would retain the UK Government's special share in BAA, created to protect the national interest. BAA was 11 higher at one point and closed a penny better on the day — one of only 4 FT-SE 100 shares to rise — at 407p. Turnover was a busy 3.4m shares.

Year-end figures from P & O disappointed and the company's shares fell quickly. They recovered from a low of 588p to close at 592p, a net decline of 25. The shares had risen steadily in the days ahead of the results announcement.

Pearson was the best performer of the day among FT-SE stocks, holding on to an improvement of 7 achieved early in the session to close at 673p. Volume was small, even for Pearson, at 90,000 shares. Dealers said that there appeared to be no selling pressure ahead of year-end figures due on Friday.

Full-year profits from Bunzl, down 30 per cent at £65.4m, depressed the shares which closed 10 off at 96p. Trading volume of 10m included two blocks of 4m each.

Lower-than-expected final profits from London and Metropolitan, the property group, pushed the shares 14 lower to 108p. Profits of £15m compared with expectations of £18m.

A moderate decline in crude oil prices coupled with the overall weakness in the market left the oil and gas sector with widespread, although generally modest losses.

BP slipped 2¼ to 335¼p on turnover of 3.4m shares while Shell, where turnover came out at 2.8m, lost 8 to 464p. British Gas, slightly unsettled by the waves caused by the Labour Party's views on the water industry, eased 2 to 215½p on turnover of 3.4m.

LASMO drifted off 5 more to 593p as traders waited for official news from the group's much-vaunted Westray well in the North Sea. Last week LASMO shares came under sustained pressure amid stories that the well, spoken of in past weeks as a 200m-barrel discovery had, encountered serious problems. Expectations have now been lowered and observers are now looking for a 100m-barrel find.

Burmah, scheduled to report preliminary results tomorrow — County NatWest is forecasting net income of £91m against £87.2m — lost 6 to 590p. Calor, hit last week by a sell note from County NatWest, suffered another setback, closing a further 11 lower at 263p.

Worries about the Labour Party's stance on the water industry left the Water Package a further £30 down at £1530.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

NEW HIGHS AND LOWS FOR 1989/90

[illegible]

APPOINTMENTS

Finance director for Davy

■ Mr Derek Hawkins has joined DAVY CORPORATION and will succeed Mr G.L. Carswell as finance director in July when Mr Carswell retires. Mr Hawkins was with Consolidated Gold Fields.

■ BARCLAYS DE ZOETE WEDD has appointed as directors Mr Dominic Franklin, Mr David Knight, Mr Rupert Watson, Mr Nigel Fox, Dr Robert Taylor, and Mr Alan Wood.

■ SUNLEIGH has appointed Mr Stephen G. Aston-Smith as finance director. He was company secretary and group financial controller.

■ Mr Graham Black has been appointed director of marketing for TRANS GLOBAL AIR, an airfreight company based at Heathrow. He was commercial director of Mercury Airfreight.

■ Mr Ken Manley, chairman of Campbell Foods, has been appointed senior vice president, CAMPBELL'S EUROPE, based in Brussels.

■ MCLEOD RUSSEL HOLDINGS has appointed Mr John Asher as business development director from April 2. He was managing director of the industrial division of Crown Berger Europe. Mr Michael Andrews joins the board as a non-executive director.

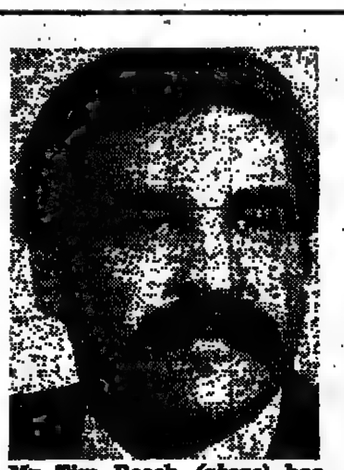
■ BRAITHWAITE has appointed Mr Michael Doherty as a non-executive director. He is chief executive of Norcros.

■ Mr Iain Burns, chief operating officer, British & Commonwealth Holdings, has been appointed a director of MACMILLAN.

■ COUNTY NATWEST INVESTMENT MANAGEMENT has appointed Mr Clark Hallman as director of marketing. He joins from American Express, and succeeds Mr Geoffrey Osmint who is retiring but continues as a consultant.

■ STEEL BURRILL JONES GROUP has appointed to the board of Meacock Samuelson & Devitt Mr David Woodard as a director, and Mr Raj Balasuriya and Mr Graham Duffy as associate directors.

■ Mr David Glazier has been appointed representative in London of BANCO DEL PACIFICO, Ecuador. The Toron Group has contracted with the bank to establish a London office. Mr Glazier was with the international banking division of Lloyds Bank, with experience of working in Ecuador.



Mr Tim Beech (above) has joined KENWOOD as finance director. He was a corporate finance partner with Grant Thornton, and financial adviser to the management team that bought Kenwood from Thorn EMI last September. Mr Martin Eastwood has been promoted to director of accounting.

■ BALFOUR BEATTY, part of BICC, will have a new organisational structure from April 2. Mr David Cawthra is appointed chief executive. Mr Haro Bedelian is made managing director responsible for the building and civil engineering activities of the group; Mr Ian Carroll becomes managing director responsible for power activities; and Mr John Dean is appointed managing director responsible for engineering and services and for Balfour Beatty America Group.

■ HAWKER SIDDELEY has appointed Mr Duncan J. Lewis to the group executive as director of strategic planning. He joins from British Telecommunications where he was director of procurement, strategy and network services.

■ CAMTEC ELECTRONICS has promoted Mr John Pragnell to technical director from technical manager.

■ HERON INTERNATIONAL's distribution division Heronfreight has promoted Mr George Chadfield from employee relations manager to director of human resources.

Mr Kevin Moat (above) has been appointed managing director of SERVIS, Wednesbury. He was commercial director, and owns about 40% of the company.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ SA1	255	–1	44c	1.4	7.9	9.0
196	134	Abbey National 10p	192½	–1½	5.7	4.3	3.9	7.8
*282	120½	Allied Irish Ord	262	.....	[illegible]	3.3	3.1	13.5
£13¼	£11½	Algemene Fl.10	£13¼	.....	Q28%	2.0	6.7	7.4
*85	61	Anglo Irish	88	–5	Q18.7%	2.7	5.5	10.9
81	57	Ansbacher (H.) 1p	75	.....	2.5	1.3	4.6	21.0
£72¼	£38½	Bancaire Cie Fr100	£63¼	[illegible]	[illegible]	–	2.2	–
£23¼	£17	Banco Bilbao Viz	£17	–1½	Q17.9%	2.0	4.2	11.8
£33	£24¼	Banco de Santander	£24¼	.....	Q25%	2.4	4.7	8.9
*286	169	Bank Ireland Ir£1	262	.....	[illegible]	3.2	4.4	9.0
£19½	£17½	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	88	Bank Scotland	118	–3	†3.8	3.6	4.3	8.5
111¼	90	Do. 9¼pc Irrd Pf	91¼	–½	9¼%	–	13.4	–
*67	49	Bank of Wales	52	.....	2.8	1.6	7.2	10.9
*589	404	Barclays £1	585	–2	27.4	q1.6	6.2	5.8
31	16	Benchmark 20p	17	.....	1.63	1.0	13.3	9.3
363	285	Brown Shipley £1	313	.....	†10.5	–	4.5	–
455	325	Cater Allen £1	410	.....	23.5	–	7.6	–
259	149	Chancery	159	+2	†8.0	2.8	6.7	7.0
£23¼	£14½	Commerzbk DM10	£22	–¼	Q18%	–	3.0	–
*£29	£22¼	C'hgn.Hbk. Kr100	£25¼	+¼	Q15%	–	5.5	–
£16¼	885	Dai Ichi KBk Y50	967	+56	[illegible]	8.8	0.5	37.0
*£314¼	£156¼	Deutsche Bk DM50	£295¼	–1	Q24%	–	1.5	–
£22¼	£17½	Espirito Santo	£20	.....	Q75c	3.3	2.3	13.6
260	182	First Nat. Fin. 10p	222	.....	13.0	2.4	7.8	6.9
134	90	FNFC 6.3pc Cv. Pf	114	+1	6.3%	–	7.4	–
£16½	£12¼	Fuji Bank Y50	£12½	+¼	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	274	.....	18.5	–	9.0	–
154	118	Guinness Mahon 10p	148	.....	†2.1	–	1.9	–
328	197	Hambros 20p	272	–5	†10.0	–	4.9	–
128	90	Do. 7.5pc Cv Pf	109	–2	7½%	–	9.2	–
60	39	HK & Shang. HK$2.50	56	–¼	Q42c	–	5.8	–
495	423	Joseph (Leo) £1	458	.....	15.85	–	4.6	–
145	115	King & Shaxson 20p	138	.....	9.25	–	8.9	–
422	277	Kleinwort Benson Grp	369	–1	16.0	♦	5.8	♦
642	471	Kyowa Bank Y50	588	+18	[illegible]	4.7	0.6	37.8
307½	213	Lloyds £1	293	–4	13.3	2.6	6.1	6.9
56	40	Lon. Scot. Bank 10p	48	–1	2.4	1.8	6.7	10.1
406	287	Midland £1	342	–3	18.0	q2.7	7.0	7.1
£15¼	£10[illegible]	Mitsubishi Bank Y50	£10[illegible]	.....	[illegible]	8.1	0.3	44.6
£13[illegible]	£7½	Mitsubishi Tst & Bk Y50	£8½	–¼	Q16%	8.2	0.4	31.0
£10¼	£8	Mitsui Bank Y50	£8¼	–¼	†Q16%	6.0	0.4	43.0
934	591	Mitsui Tst & Bk Y50	596	–11	Q16%	7.1	0.5	26.4
*352	269	Nat Aust. Bk. A$1	292	–4	s050c	1.6	7.7	8.0
365	255	NatWest £1	342	–4	16.7	3.3	6.5	6.2
£220	£160	Ottoman Bank	£208	.....	Q90%	–	4.5	–
83	39	Rea Bros. Group	39	.....	0.5	–	1.7	–
*240	155	Rothschild (J) Hldgs	187	–2	†9.5	3.6	6.8	5.4
227	139	Royal Bk. Scotland	186	–4	7.2	3.8	5.2	6.5
822	520	Saitama Bank Y50	523	–20	†Q13%	4.7	0.5	45.6
*£13¼	938	Sanwa Bank Y50	£10	–¼	†Q16%	8.3	0.3	38.0
1805	870	Schroders £1	1625	.....	25.0	♦	2.1	♦
1425	655	Do. £1 N/V	1275	.....	25.0	♦	2.6	♦
£33¼	£19½	Sec. Pacific $10	£23¼	–¼	Q$1.90	–	5.1	–
*616	449	Standard Chartd. £1	528	–10	35.0	q1.4	8.8	(9.9)
£19[illegible]	£10¾	Sumitomo Bank Y50	£10[illegible]	–¼	[illegible]	7.5	0.3	48.2
£11¾	£6¾	Sumitomo Tst & Bk Y50	£7¼	+¼	†Q16%	8.1	0.4	29.7
147	97	TSB	140	–4	5.8	2.8	5.5	9.0
234	139	TSB Ch'nel Is'l	140	.....	Q6.7	3.5	4.8	7.0
£11¾	£6¾	Tokai Bank Y50	£6½	–¼	Q16%	4.1	0.5	49.9
975	698	Toyo Tst & Bk Y50	718	–21	[illegible]	6.9	0.4	34.5
611	470	Union Discount £1	535	–3	33.0	–	8.2	–
525	277	Warburg (S.G.)	459	–1	†12.5	–	3.6	–
180	98	Do 6pc Cnv Prf	150	–2	6%	–	5.3	–
*284	226	Westpac SA1	239	–4	Q52.5c	1.5	9.9	6.6
468	408	Wintrust 20p	428	+7	17.8	–	2.5	–
1016	673	Yasuda Tst & Bk Y50	673	–49	[illegible]	9.3	0.5	21.5

Hire Purchase, Leasing, etc.

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
345	224	Anglo Grp. 10p	233	.....	†5.0	4.1	2.9	9.1
£190	£99¼	Do 9½pc 1999	£103¼	.....	9½%	–	9.2	–
*373	110	CLF Yeoman 50p	130	–5	[illegible]	3.4	8.0	4.1
71	56	Cambridge Grp Ir5p	68	+3	[illegible]	14.8	0.5	17.3
100	37	Capital Leasing Ir 10p	41	+½	[illegible]	♦	2.7	♦
78	51	Castle's (Hdgs) 10p	57	.....	3.58	♦	8.4	♦
408	303	Prov. Financial	386	–1	20.5	2.0	7.1	9.3
235	100	Reflex Invs. Ir5p	229	.....	Q34.6%	6.6	0.8	25.6
236	146	Secure Trust Grp. 1p	225	.....	8.5	♦	5.2	♦
210	127	Woodchester Ir20p	[illegible]	–2	Q15.6%	♦	1.4	♦

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Contd

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	975	DAF N.V. Fl5	£11¼	–⅛	Q50%	♦	7.5	♦
162	113	General Mtrs Units	148	+2	Q22⅛%	–	5.1	–
*61½	27	March Group 5p	31	......	B–	–	–	–
*£219	£89	Volkswagen DM50	£227½	–1	Q20%	2.8	1.6	23.1
£31	£33½	Volvo Kr25	£37¼	+½	Q56%	3.1	3.8	8.4

Commercial Vehicles

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*305	196	ERF (Hldgs)	196	......	15.0	3.7	10.2	3.5
*265	150	Plaxton Grp	150	......	8.5	♦	7.6	♦

Components

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
438	373	Abbey Panels	438	......	3.5	10.8	1.1	11.6
290	185	Airflow Streamlines	218	......	6.0	4.2	3.8	8.4
208	143	Bostrom 5p	179	–2	5.75	♦	4.6	♦
299	191	Dowty 50p	286	–3	18.0	2.3	5.2	10.8
261	164	FR Group	168	+5	5.54	3.7	4.4	8.3
*174	74	Kwik-Fit Hldgs. 10p	80	–2	2.4	2.8	4.0	12.1

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES—Contd

THIRD MARKET

NOTES

... Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	88	–1
Craig & Rose £1	820	......
Finlay Pkg. 5p	58	+1
Holt (Jos) 25p	1345	–5

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£96	......
9pc Cap Ln. 1996	£91	+¼
Fin. 13% 97/02	£107½	......
Arnotts	450	+10
Carroll (P.J.)	170	......
Hall (R. & H.)	180	......
Helton Hldgs	89	+2
IRG	215	......
United Drug	165	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¾
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	48
Comm Union	48
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	98
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	58
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Stock	p
Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Stock	p
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

Stock	p
Lonrho	22
RTZ	45

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

	Init chge	Canc price	Bid price	Offer price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)F						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	52.64	53.04xd	56.45	-0.11	4.85
Gilts & Fixed Int	6	101.1	101.1xd	107.3	+0.3	10.25
High Inc Equity	6	132.6	136.0	144.7	-0.3	4.39
Capital Growth						
American Growth	6	193.4	195.2	207.7	+0.5	0.99
Asian Pacific	6	139.4	142.3	151.4	-0.5	0.80
Assets & Earnings	6	153.2	153.2	163.9	-0.2	2.96
Capital Reserve Acc	0	89.48	89.48	89.62	+0.11	6.69
Capital Reserve Inc	0	74.72	74.72xd	74.84	+0.11	9.02
Commodity & Energy	6	105.6	105.6xd	113.0	-3.2	0.74
Dividend & Growth	6	44.95	46.01	48.95	.....	4.40
1992 Enterprise	6	60.49	61.78	65.73	-0.07	2.43
Euro Capital Acc	6	102.3	102.3	109.5	+0.1	0.87
Euro Capital Inc	6	98.58	98.58	105.9	+0.1	0.90
General	6	169.8	169.8xd	181.7	-0.2	2.79
International	6	61.20	61.88	65.83	-0.28	0.76
Japan	6	98.42	98.42	105.3	+0.2	0.00
Mastertrust	6	89.39	89.39	95.61	-0.12	1.47
UK Growth Acc	6	173.8	173.8	182.9	-0.5	1.53
UK Growth Dist	6	114.9	114.9	122.9	-0.4	2.32
US Emerging Cos	6	57.63	59.12	62.90	+0.24	0.00
Ethical	6	47.14	47.14	50.42		
Abtrust Management Ltd (1200)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						

	Init chge	Canc price	Bid price	Offer price	+ or -	Yield Gr's
Brown Shipley & Co Ltd—Contd.						
North American	6	63.46	63.46	67.50		
Orient	6	119.8	121.3	129.1		
Recovery	6	49.90	49.90	53.14		
Smaller Cos Acc	6	258.7	258.7	276.8		—
Smaller Cos Inc	6	159.6	159.6	170.8		
Brycourt Unit Tst Mngmt Ltd (1400)F						
Income Growth		159.9	169.9			
Buckmaster Mangmt Co Ltd (1200)H						
The Stock Exchange, London EC2P 2JT						
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL						
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX						
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SD						

GUIDE TO UNIT TRUST PRICING

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Thornton Unit Managers Ltd (1000)F

Three Counties Asset Mngmt Ltd (1430)F

Touche Remnant Unit Tst Mngt Ltd (1600)F

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

	Bid Price	Offer Price	+ or -	Yield Gros
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 393239				
Life Funds				
Managed Cautionary	103.5	109.0	+0.6	–
Managed Growth	140.6	148.1	+0.7	–
Managed Opportunity	143.3	150.9	+0.3	–
NFMC Target Financial	101.3	106.7	+0.9	–
Pension Funds				
Managed Cautionary	108.4	114.2	+0.6	–
Managed Growth	144.7	152.4	+0.7	–
Managed Opportunity	145.6	153.3	+0.5	–
NFMC Target Magd Pen	1505.6	1584.9	–12.4	–
National Mutual Life				
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422				
Managed Fund	221.0	233.6	——	–
Managed Prospect Fund	186.3	196.2	——	–
Pens Managed	289.3	304.6	——	–
Pens UK Equity	334.0	351.6	——	–
Pens Overseas Equity	417.3	439.3	——	–
Pens Property	159.9	168.4	——	–
Pens Fixed Interest	169.0	177.9	——	–
Pens Index Linked	142.2	149.7	——	–
Pens Deposit	191.9	202.0	——	–
Barrester & P.R.P.				
UK Equity	146.0	153.7	——	–
Overseas Equity	149.4	157.3	——	–
Fixed Interest	115.5	121.6	——	–
Property	133.1	140.2	——	–
Index Linked	129.2	136.0	——	–
Deposit	133.1	140.2	——	–
Managed	145.8	153.5	——	–
With Profits	136.2	143.4	——	–
National Provident Institution				
48 Gracechurch St, London EC3P 3HH 01-623 4200				
Managed	339.7	357.6	–2.0	–
UK Equity	432.5	455.3	–4.1	–
Overseas Eq	359.6	378.6	–2.3	–
Americas	270.3	284.6	+0.4	–
Far East	376.4	396.3	–0.3	–
Property	220.0	231.6	–0.1	–
Fixed Int	208.8	219.8	–0.6	–
Indexed Gilt	135.0	142.2	+0.1	–
Deposit	161.3	169.8	+0.1	–

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Ivory & Sime (Luxembourg) SA
13 rue Goethe L-1637 Luxembourg 010 352 4046461

Atlas Fund

		Bid Price	Offer Price	+ or -	Yield Grs
Global Cap Portfolio	$	2.417	2.564		0.25
United States Portfolio	$	2.452	2.601		0.55
United Kingdom Portfolio	£	1.075	1.140		11.00
Cont Europe Portfolio	DM	4.417	4.682		0.45
European Portfolio	£	1.090	1.156		—
Japan Portfolio	$	0.819	0.870		—
Pacific Portfolio	$	2.670	2.830		1.00
Gold Portfolio	$	2.178	2.310		0.35
UK Growth of Income	£	1.150	1.220		1.90
Sterling Gilt Portfolio	£	0.917	0.972		2.00
Global Bond Portfolio	$	1.881	1.993		5.50
Dollar Portfolio	$	2.060	2.661		7.50
Yen Portfolio	¥	0.902	0.983		2.20
Sterling Portfolio	£	1.036	1.037		6.40

Midland International Circuit Fund SICAV
Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 77788

		Bid Price	Offer Price	+ or -	Yield Grs
UK Growth	£	1.016	1.078		—
European Growth	£	1.073	1.139		—
Japan Growth	£	1.009	1.071		—
Pacific Growth	£	1.005	1.066		—
Nth American Growth	£	1.020	1.082		—
UK Fixed Interest	£	1.009	1.071		—
Multicurrency Bond	£	1.010	1.071		—
UK Stlg Liquidity	£	1.010	1.072		—
US$ Liquidity	$	1.035	1.099		—

Morgan Grenfell UT Mgrs/Deutsche Bank
Representative for UK, Luxembourg
20 Finsbury Circus, EC2M 2UT 01-826 0276

		Bid Price	Offer Price	+ or -	Yield Grs
Eurorenta	DM	78.92	82.30	+0.2	—
DM Reserve	DM	114.70	115.90		—
Dollarrenta	$	48.28	49.80		—

Nomura Global Fund
UK dealing agent National Inv Group plc, Holland Hse, 1/4 Bury Street, London EC3A 5AT 01-283 0050

		Bid Price	Offer Price	+ or -	Yield Grs
Asia Pacific P'folio		$8.72			

Royal Trust Asselmix Fund
41 Avenue de la Gare L-1611, Luxembourg 352 409 061

Equity Funds

		Bid Price	Offer Price	+ or -	Yield Grs
Alpha UK	£	1.19		-0.01	0
Alpha US	$	1.39		+0.02	0.00
Alpha Worldwide	SFr	4.95			0.00
Alpha Japanese	¥	949		-14	0.00
Alpha Pacific Rim	$	1.59			0.00
Alpha European	Ecu	1.26			0.00
Gold Shares	$	1.08			0.00

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Japan Index Fund	Y2,921	3,354	—	—
New Generation Fd. S.	$20.36	20.57	—	—
Japan Index Alpha	Y11,400	11,572	—	—
Jap Sector Rotation	Y8,529	8,650	—	—

Strongbold Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Tech and Comm.	£15.01	14.65	—	—
Pacific Basin Fd.	$110.40	117.04	—	—
Western European	$18.69	19.90	—	—

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Capital Defender	$7.26	7.35	—	
Hi Yield Bond	63.7	67.0	—	
Internat. Spec. Sits.	30.5	33.1	-0.4	
Marunouchi Fd.	80.4	84.5	-1.3	

U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Short Term Shares	$698.88		—	
Fixed Income Shares	$905.04		—	

Wellington Fd Mngrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Intnl Growth Fd.	$13.32	13.98	-0.10	

Yamaichi Capital Mangmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Japan Meta Growth	$11.54		+0.01	—
Yamaichi ISS Fund	$8.26		-0.07	—
Yamaichi CB Plus Fund	$8.41		+0.08	—
Thai Inv Fund	$11.44		—	—

JERSEY (**)

Allied Irish Fund Managers (CI) Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Sterling Currency Fd.	£14.4184		—	
Managed Currency Fd.	$33.7259		—	
De Sterling Equivalent	£21.1947		—	
Ecu	Ecu12.7079		—	
Irish Gilt Fd.	I£100.9004		—	
Intl Managed Dollar	$25.4696		—	
Intl Managed Bond	$21.1103		—	

Barclays Intl Funds

Currency Funds

	Bid Price	Offer Price	+ or -	Yield Grs
Sterling	£37.50		+0.08	13.8
US Dollar	$28.53		-0.02	7.8
Deutschemark	DM45.97		—	6.7
Yen	Y5,646		—	5.8
Managed Multicurrency	£12.80	13.26	-0.01	—
Managed Multicurrency	$25.38	26.13	—	—

Bond Funds

	Bid Price	Offer Price	+ or -	Yield Grs
Sterling Bond	£9.329	9.782	+0.004	11.8

Nomura Prudential Fd Pt II

	Bid Price	Offer Price	+ or -	Yield Grs
NAV Mar 27	$12.44		+0.28	—

Nomura Prudential Global Portfolio

	Bid Price	Offer Price	+ or -	Yield Grs
NAV Mar 27	$13.65		+0.30	—

Nomura Rosenberg Alpha Fund Mark II

	Bid Price	Offer Price	+ or -	Yield Grs
Portfolio A: NAV	$13.20		—	—
Portfolio B: NAV	$10.12		—	—

North Star Fund Managers (Cayman) Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
Invest Fund	DKr257.8	258.0	—	—
Low Risk Fund	DKr200.0	201.0	—	—

Tudor BVI Futures Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
NAV March 23	$6456.77		—	—

Tyndall International (Bermuda) Ltd

	Bid Price	Offer Price	+ or -	Yield Grs
American Special Sits.	$45.01	47.27	+0.03	—
Capital Protection Mar 26	$10.33	10.85	—	—
Commodity Mar 26	$25.67	26.96	—	—
Eurobond	$27.44	28.82	—	—
Money Mar 27	$34.32	36.04	+0.01	6.65
Mortgage Mar 26	C$13.73	14.42	—	—
North American	$37.83	39.73	+0.02	—
Overseas	$28.56	30.00	+0.29	—
Pacific Gold	$4.50	4.74	-0.12	—

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

DUBLIN (**)

OFFSHORE INSURANCES

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound advances and yen slides

STERLING'S RECOVERY and the continued slide of the Japanese yen remained the main features of fairly subdued foreign exchange trading yesterday. UK inflation is expected to move up to around 9 per cent in the next few months, according to City economists. It is likely to stay as high as 7¼ per cent at the end of the year, on Treasury forecasts, and independent estimates suggest the year-end figure may be nearer 8 per cent.

Against this background the market sees little immediate opportunity for a cut in UK interest rates. The prospect of a long period of high rates in London, and the lack of any important UK economic news until publication of March retail prices and February average earnings on April 12, provided support for sterling.

The pound closed in London at the day's high against the dollar, gaining 1.20 cents to $1.6260. Sterling also advanced to DM2.7800 from DM2.7675; to Y255.75 from Y252.25; to FFr9.3525 from FFr9.3175, and was unchanged at SFr2.4675. Its index climbed 0.5 to 87.3.

In Tokyo the dollar rose to a high of Y157.20, where the Bank of Japan stepped in to support its currency with sales of about $100m to $200m.

Dealers noted, however, that the US Federal Reserve stayed out of the market on Monday in New York, despite the dollar's advance of about 2½ yen, and it was not seen to intervene yesterday in support of the yen by the time Europe had closed. This tended to confirm that talks between Mr Nicholas Brady, US Treasury Secretary, and Mr Ryutaro Hashimoto, Japanese Finance Minister, failed to produce concrete measures to support the yen and that there is unlikely to be concerted action by the Group of Seven.

This lack of action by central banks maintained downward pressure on the yen. In London the US currency rose to a peak of Y157.35, the highest level since January 1987, before closing at Y157.25, against Y156.35 on Monday. Soon after the finish of trading in London the dollar broke through resistance at Y157.50 in New York, rising to Y157.65.

European currencies were generally firmer against the dollar, partly as traders switched out of yen and into the D-Mark. This took the D-Mark up to Y91.95 from Y91.15. At the London close the dollar had fallen to DM1.7100 from DM1.7150; to SFr1.5170 from SFr1.5290; and to FFr5.7525 from FFr5.7725. The dollar's index was unchanged at 69.0.

However, the D-Mark remained depressed within the European Monetary System. The French franc was around the bottom of the system, but the D-Mark was fixed at a 20-month low against the franc of FFr3.3656 in Paris. In London the West German currency closed at FFr3.3640 against FFr3.3660 on Monday. In Milan the Bank of Italy continued to buy D-Marks and ECUs as the lira advanced. The D-Mark fell to L734.50 from L735.25 at the London close.

£ IN NEW YORK

Mar.27	Latest	Previous Close
£ Spot	1.6260-1.6270	1.6160-1.6170
1 month	0.94-0.93pm	0.94-0.93pm
3 months	2.75-2.72pm	2.75-2.72pm
12 months	9.70-9.60pm	9.70-9.60pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

	£	$
[illegible]	[illegible]	[illegible]
N. Zealand	2.7835-2.7885	1.7205-1.7225
Saudi Ar.	6.0675-6.0730	3.7500-3.7510
Singapore	3.0490-3.0555	1.8820-1.8840
S. Af (Cm)	4.3050-4.3160	2.6570-2.6585
S. Af (Fn)	6.3225-6.4480	3.9065-3.9840
Taiwan	42.70-42.80	26.40-26.45
U.A.E.	5.9405-5.9475	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Mar 27	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14⅞-14⅝	14⅞-14⅞	15⅛-14⅞	15⅜-15¼	15½-15⅜	15⅞-15⅞
US Dollar	8¼-8⅛	8⅜-8¼	8⅜-8¼	8½-8⅜	8⅝-8½	8⅞-8¾
Can. Dollar	12¾-12⅝	12¾-12½	13-12¾	13-12⅞	13⅛-12⅞	13¼-12⅞
D. Guilder	8-7½	8⅛-7⅞	8¼-8⅛	8⅜-8¼	8½-8⅜	9-8⅞
Sw. Franc	9⅝-9⅜	9⅝-9⅜	9¼-9⅛	9⅜-9¼	9⅜-9¼	9⅜-9¼
Deutschmark	7⅞-7¾	7⅞-7¾	7⅞-7¾	8⅛-8	8⅜-8¼	9⅛-8⅞
Fr. Franc	10⅛-10⅛	10¼-10⅛	10⅜-10⅛	10½-10⅜	10⅝-10½	10⅞-10¾
Italian Lira	13-11	12½-11½	12⅝-12⅜	12⅝-12⅜	12¾-12½	13⅛-13⅛
Belgian Franc	10¼-10⅛	10⅜-10⅛	10⅜-10⅛	10½-10⅜	10½-10⅜	10⅝-10½
Yen	7⅞-6⅞	8-7⅞	7⅞-7¾	7⅞-7¾	7¾-7⅝	7⅞-7¾
D.Krone	11½-11⅛	11½-11⅛	11⅝-11⅛	11⅝-11⅛	11⅝-11⅛	11⅝-11⅜
Asian $Sing	8¼-8⅛	8⅜-8¼	8⅜-8¼	8½-8⅜	8⅝-8½	8⅞-8⅝

Long term Eurodollars: two years 9⅛-9 per cent; three years 9⅛-9⅛ per cent; four years 9⅜-9¼ per cent; five years 9⅛-9⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Mar.27	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6135-1.6280	1.6255-1.6265	0.92-0.90cpm	6.72	2.63-2.60pm	6.43
Canada	1.8995-1.9125	1.9115-1.9125	0.31-0.23cpm	1.69	0.86-0.73pm	1.66
Netherlands	3.11-3.13½	3.12½-3.13½	1⅝-1½cpm	5.99	4⅞-4⅝pm	6.15
Belgium	57.15-57.60	57.50-57.60	24-22cpm	4.80	69-65pm	4.66
Denmark	10.53-10.60¾	10.59¾-10.60¾	3⅛-2⅞orepm	3.40	9⅛-8⅛pm	3.30
Ireland	1.0330-1.0365	1.0335-1.0345	0.35-0.30ppm	3.77	0.65-0.56pm	2.32
W. Germany	2.76½-2.78¼	2.77¾-2.78¾	1¾-1⅝pfpm	7.28	4⅝-4½pm	6.56
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

Mar 27	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.319	0.519	0.888	81.73	2.988	0.7[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	0.796	1.361	125.3	4.580	1.2[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.523	0.850	1.454	133.8	4.892	1.2[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.738	2.825	4.831	444.5	16.25	4.2[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
March	1965.0	1948.0	-18.5	1965.0	1948.0	4,448
April	1964.5	1952.5	-17.0	1966.0	1951.5	2,758
May	1967.0	1967.0	-4.5	1967.0	1967.0	190
June	-	-	-	-	-	37

Estimated volume 3,913 Total Open Interest 7,433

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Irish Bank	15	Dunbar Bank PLC	15	Provincial Mortgage Bank	15½
● Henry Ansbacher	15	Duncan Lawrie	15	PRIVATbanken Limited	15
Associates Cap Corp	15½	Equatorial Bank plc	15	Provincial Bank PLC	16
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Roxburghe G'rantee	15½
Bank of Baroda	15	Financial & Gen. Bank	15	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Royal Trust Bank	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	● Smith & Williamson Secs.	15
Bank Credit & Comm.	15	Robert Fraser & Ptnrs.	15½	Standard Chartered	15
Bank of Cyprus	15	Girobank	15	TSB	15
Bank of Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
Bank of India	15	HFC Bank plc	15	United Mizrahi Bank	15
Bank of Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
● Brown Shipley	15	Hongkong & Shangh	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£50,000+ instant access 13.7% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

MONEY MARKETS

Rates little changed

INTEREST RATES were steady in London yesterday as the mood was calmed by sterling's recent improvement. Three-month interbank was quoted at 15⅝-15¼ per cent against 15⅝-15⅜ on Monday, while one-year money firmed slightly to 15¾-15½ per cent from 15⅝-15⅜.

Profit taking led to a fall in short sterling futures on Liffe. June delivery opened higher at 84.89, the day's peak. It fell to a low of 84.74 before closing at 84.77, compared with 84.86 previously.

UK clearing bank base lending rate
15 per cent
from October 5

Day-to-day credit remained in reasonably good supply on the London money market. The Bank of England forecast a shortage of £100m, but revised this to £150m in the afternoon.

The authorities did not operate in the market before lunch, but in the afternoon provided help of £125m. A total of £50m bills were purchased, by way of £15m bank bills in band 1 at 14⅞ per cent and £35m bank bills in band 2 at 14¾ per cent. Late assistance of £75m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £177m, with bank balances below target absorbing £55m. These outweighed Exchequer transactions adding £100m to liquidity and a fall in the note circulation of 45m.

In Tokyo nervousness about the weak yen and demand for money at the end of the month pushed call money up sharply. The unsecured overnight call rate opened at 6⅞ per cent, against 6⅞ per cent on Monday, and rose above 7¼ per cent in places. The Bank of Japan moved to stem the rise, by injecting liquidity via purchases of Y300bn in bills on the money market. It was estimated that the authorities also lent about Y150bn to banks. The Bank of Japan had initially absorbed a market surplus of Y930bn through sales of bills, but then gave support to the market in a move described by dealers as quite unusual.

Another factor pushing up the call rate was a suggestion that a large Japanese investment trust was unable to invest money yesterday because of a computer failure.

In Frankfurt call money was steady at 7.45 per cent, as banks appeared to be having no problems in meeting monthly reserve requirements at the Bundesbank. Average holdings for the first 25 days of March were DM61.2bn, against a provisional requirement for the whole month of DM59bn.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

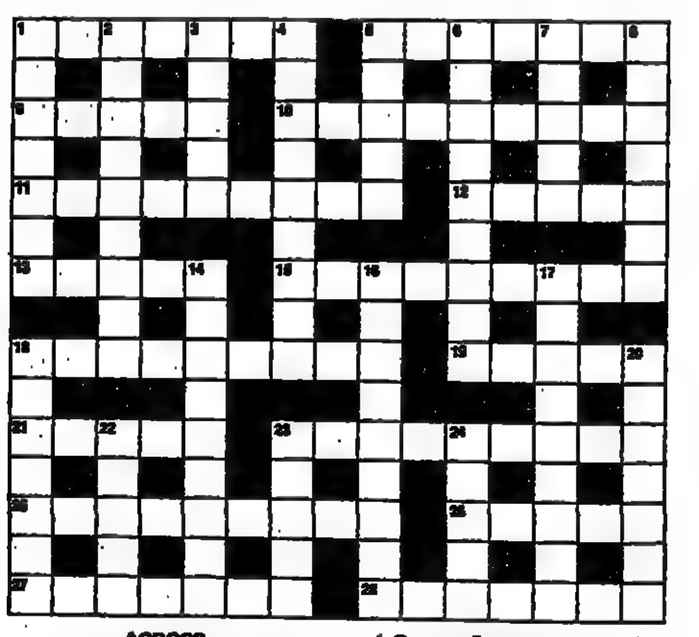
LONDON MONEY RATES

[illegible]

JOTTER PAD

CROSSWORD

No.7,200 Set by MUTT



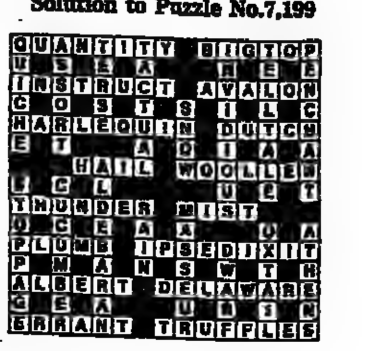
ACROSS

1 Have a private understanding to see the girl about five (7)
5 £5 cash, with a luncheon voucher thrown in, for the old Tin Lizzie (7)
9 Article on general election by Labour leader shows spirit (5)
10 Copy the model being brought in – pep up (9)
11 It seemed to me I pondered poetically (9)
12 Rover perhaps gets the point about dead duck (5)
13 Some are aching for a stretch (5)
15 One thousand to use up: needed to be hasty (9)
18 How one makes arrangements to leave gladly (9)
19 It's the same when I race into a party (5)
21 The old criminal has taken most of the tomato sauce (5)
23 Thin house facing applause for the directors (9)
25 Apartment to accommodate George and the bench fipple-flute (9)
26 Alcoholic fuel? (5)
27 Three-toed sloths caught in a jungle beast tie-up (7)
28 Topless old bags should get alarm clocks (7)

DOWN

1 Fascinating speller (7)
2 Strange thing to drop at the end of day (9)
3 Soldier going up to the john in an icy house (5)
4 One as Iggy appears to be, happy-go-lucky (4-5)
5 Nothing in the closed hand to fob off (5)
6 Overwhelmed to be at home, one's company not sought (9)
7 Article of food by divan in shambles (5)
8 They are staggering, the grasshopper warblers (7)
14 The number taking females out increases (9)
16 Perhaps he should give the money to teacher? (9)
17 Make unwelcome changes to raise cost (9)
18 Those who can't sleep get into such a state (7)
20 Unmatched quality? (7)
22 Small island put up with artist in elaborate headdress (5)
23 Pass over the punctuation mark (5)
24 High-class job I made out of a little box (5)

Solution to Puzzle No.7,199



WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

2pm prices March 27

[illegible]

f—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	Mar 26	Mar 23	Mar 22	Mar 21	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2707.66	2704.28	2695.72	2727.93	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	(u)	90.63	90.64	90.52	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1175.85	1170.87	1158.78	1171.94	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.34	213.72	212.90	214.98	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2735.82 (2722.75) Low 2697.97 (2688.06)

STANDARD AND POOR'S

Composite ‡	337.63	337.22	335.69	339.74	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	392.94	391.34	389.56	394.23	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.84	27.83	27.68	28.16	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	185.60	185.45	184.70	186.82	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	361.31	361.41	360.45	363.15	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	438.84	437.25	434.51	439.30	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 23	Mar 16	Mar 9	year ago (approx.)
Dow Industrial Div. Yield	4.06	4.00	4.08	3.78
	Mar 21	Mar 14	Mar 7	year ago (approx.)
S & P Industrial div. yield	3.05	3.09	3.09	3.13
S & P Indl. P/E ratio	14.97	14.80	14.74	13.17

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Southeast Bank	1,916,200	14⅛	-⅛
Homestake	1,909,900	17⅞	-1⅛
Am T & T (wi)	1,518,400	41⅞	+⅝
Gtr Metals	1,480,500	47⅞	+1⅛
Placer Dom	1,414,900	16⅞	-1
Philip Morris	1,314,000	39⅞	—
BankAmerica	1,216,600	28	+⅛
First Interstate	1,208,600	32⅞	-1⅛
Am Barric	1,061,800	17⅛	-2
Con Edison	953,500	25⅛	-⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 26	Mar 23	Mar 22
New York	116.110	132.078	178.376
Amex	10.080	11.495	12.690
NASDAQ	96.276	130.737	146.317
Issues Traded	1,966	1,983	1,962
Rises	829	872	358
Falls	652	561	1,194
Unchanged	487	528	410
New Highs	33	19	10
New Lows	39	37	76

CANADA TORONTO

	Mar 26	Mar 23	Mar 22	Mar 21	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3156.20	3178.20	3176.70	3226.84	3919.2 (1/9/89)	2921.0 (23/2/90)
Composite	3667.50	3701.50	3705.00	3735.84	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1891.81	1900.19	1902.28	1923.58	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 27	Mar 26	Mar 23	Mar 22	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1558.5	1567.1	1567.4	1566.6	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	795.1	811.9	820.8	816.2	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	641.78	699.06	677.89	686.07	703.29 (19/3/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6149.14	6142.08	6138.98	6117.46	6905.28 (26/9/89)	5519.38 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	379.81	378.40	376.44	376.51	388.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	613.5	636.0	637.9	638.0	815.8 (18/4/89)	598.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	523.08	521.52	516.00	515.35	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1945.96	1964.16	1937.40	1914.11	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	815.63	817.79	809.90	814.82	817.79 (26/3/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2349.9	2372.6	2359.3	2371.9	2372.6 (26/3/90)	1595.7 (27/2/89)
DAX (30/12/87)	1924.98	1939.53	1932.12	1918.98	1939.53 (26/3/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	3018.85	3014.02	2974.16	2948.67	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1754.25	1759.17	1749.49	1746.23	1998.10 (22/1/90)	1360.64 (18/1/89)
ITALY						
Banca Com. Ital. (1972)	675.01	674.75	671.18	679.88	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	31825.96	31840.49	30572.16	29843.34	38915.87 (29/12/89)	29843.34 (22/3/90)
Tokyo SE (Topix) (4/1/68)	2339.08	2313.63	2206.99	2173.17	2884.80 (18/12/89)	2173.17 (23/3/90)
2nd Section (4/1/68)	3815.14	3726.37	3664.90	3700.81	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	598.38	601.37	598.02	597.38	622.29 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	256.2	257.7	254.8	253.7	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	196.5	197.7	195.5	194.6	210.5 (8/9/89)	166.7 (1/1/89)
NORWAY						
Oslo SE (2/1/83)	834.76	831.37	826.19	821.78	845.40 (16/3/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1129.60	1129.45	1115.46	1135.69	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	437.31	439.10	432.40	429.07	443.34 (6/2/90)	380.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	1908.0	1881.0	2032.0	2003.0	2254.0 (12/12/89)	1280.0 (15/2/89)
JSE Industrial (28/9/78)	2970.0	2963.0	3008.0	3010.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	827.92	834.54	841.79	845.96	1007.38 (1/4/89)	827.92 (27/3/90)
SPAIN						
Madrid SE (30/12/85)	258.13	258.56	259.88	264.69	328.93 (13/9/89)	258.13 (27/3/90)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1149.20	1148.30	1146.30	1148.40	1372.95 (16/8/89)	1001.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	737.6	(u)	745.8	752.8	829.1 (4/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	10486.31	10546.01	10628.29	10978.15	12495.34 (10/2/90)	4873.61 (3/1/89)
THAILAND						
Bangkok SET (30/4/75)	834.83	818.00	803.13	796.50	918.67 (5/1/90)	386.73 (3/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	491.9	491.9	478.6	571.8 (4/1/90)	487.6 (15/6/89)

**Saturday Mar. 24: Taiwan Weighted Price 10800.79 Korea Comp Ex. 837.40

a Subject to official recalculation.

δBase values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday March 27 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi	28.5m	1,550	+10	NEC	12.1m	2,000	+50
Nippon Steel	18.3m	582	-17	Sato Kogyo	11.3m	2,320	+160
Chiyoda	15.6m	2,620	+220	Kawasaki Steel	9.9m	594	+5
MHI	12.9m	921	+22	Toshiba	9.3m	1,100	+60
Toyo Engnrg	12.4m	2,320	+600	NKK	8.6m	540	-5

3pm prices March 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	25	AAR	.48	1.6	18	173	30⅛	29⅞	29⅞	
9⅛	8½	ACM n	1.01	11.		245	9	8⅞	8⅞	
11⅝	10½	ACMIn	1.26	12.		258	11	10⅞	10⅞	– ⅛
9⅞	7⅛	ACM M	n1.01	13.		594	7⅞	7⅞	7⅞	
12⅛	11⅜	ACMMM				116	11⅞	11½	11⅞	+ ⅛
11½	10	ACM Sc	1.26	12.		632	10⅞	10⅞	10⅞	
9⅞	8⅛	ACMSp	1.01	11.		898	9	8⅞	8⅞	
22⅞	13	AL Lab	.16	.7	21	309	22⅞	22⅜	22½	+ ⅛
4⅞	3⅛	AMCA	.12e	3.8	39	39	3⅛	3⅛	3⅛	
6⅞	3	AM Intl			10	751	3⅛	3	3⅛	+ ⅛
23½	16⅜	AM In pf	2	12.		55	16⅞	16⅛	16½	– ⅜
107⅞	52½	AMR			9	2789	67¼	65⅞	67	+1½
24⅞	23¾	ANR pf	2.12	8.7		1	24½	24½	24½	+ ⅝
6⅛	3⅛	ARX				1	3½	3½	3½	– ⅛
72⅞	39	ASA	3a	5.7		510	52⅞	51⅞	52⅛	+ ½
70⅞	31⅞	AbtLab	1.68	2.6	17	1729	64⅞	63¾	64½	+ ½
17⅛	11⅞	Abitibi g	.50			13	13½	13⅞	13⅞	
13	8⅞	AcmeC	.40	4.1	11	33	9⅞	9⅞	9⅞	+ ⅛
9⅛	7	AcmeE	.32	3.6	11	9	9	8⅞	8⅞	
38½	27⅞	Acusn			22	163	35	34⅞	35	– ⅛
18½	12⅞	AdaEx	2.08e	13.		66	15⅞	15½	15⅞	
15⅛	7⅞	Adobe				1	12⅞	12⅞	12⅞	
20⅞	16⅞	Adob pf	1.84	8.8		10	18⅞	18⅞	18⅞	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		109	21½	21½	21½	+ ⅛
10½	5⅞	AMD			22	2791	9⅞	9½	9⅞	+ ⅛
35	28¼	AMD pf	3	9.6		37	31⅞	31	31⅞	+ ⅝

[illegible]

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

AMEX COMPOSITE PRICES

3pm prices March 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

3pm prices March 27

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Dow eases as investors focus on next quarter

Wall Street

WITH NO dramatics overnight on Japanese markets and with the first quarter coming to an end, US equities traded in a tight range yesterday but tended to drift lower, *writes Janet Bush in New York.*

At 1 pm, the Dow Jones Industrial Average was 8.11 lower at 2,699.55 on modest volume of 64m shares. On Monday, the Dow had risen 3.38 to 2,707.66 after jumping 20 points in reaction to the second largest rally ever in Tokyo, only to fall back to close with a very modest gain in the second slowest day of trading since the start of the year.

The market was concerned about the next round of quarterly earnings results and volumes were not expected to pick up, as any end-of-quarter buying by institutional portfolio managers had probably been completed.

The only economic figures of any note are today's revisions for fourth quarter gross national product which are not likely to inspire much interest. The financial markets are much more concerned about the performance of the economy this month, given that the outlook for monetary policy appears to be finely balanced.

The Federal Open Market Committee, which sets a target for the Federal Funds rate, started its regular meeting yesterday to review its monetary stance. There appears to be a consensus that the Fed will leave monetary policy unchanged until it has seen the economic evidence for March.

Trading was dull in the Treasury bond market as well. At midsession, the Treasury's benchmark long bond was quoted ¼ point lower for a yield of 8.48 per cent.

Among featured stocks was American Express, which dropped $⅞ to $26. The company said that it had signed a definitive merger agreement to purchase Shearson Lehman Hutton, but that each Shearson common share would now be converted to 0.48 of a share of American Express instead of 0.426 of a share previously announced. Shearson added $⅞ to $12⅛.

Circle K fell $⅜ to $1⅜. The company said that it was not in compliance with certain financial covenants and was holding debt restructuring talks with its lenders. It also announced a loss of 69 cents a share for the fiscal quarter ended January.

JP Industries gained $⅞ to $16⅞. T&N of Britain identified itself as the bidder for the company, which said that it had agreed in principle to be acquired for $17.30 a share.

Bally Manufacturing added $1 to $13⅜ on a US press report that Mr Arthur Goldberg, the investor, had bought about $13m worth of the company's common shares, or about 4.5 per cent.

Gold mining companies were mixed, failing to recover convincingly from their sharp losses on Monday on a plunge in the gold price. Homestake Mining added $⅜ to $17¼ but Newmont Gold slipped another $¼ to $46⅛.

Canada

A SLIGHT rebound by gold stocks was unable to prevent an opening fall in Toronto share prices in featureless trading. The composite index fell 4.0 to 3,663.5 on volume of 3.8m shares. Declines led advances by 120 to 104.

Among gold shares, American Barrick rose C$⅛ to C$21⅛, Placer Dome gained C$¼ to C$20 and Corona added C$⅛ to C$9⅞.

Chinese calm encourages Hong Kong

John Elliott examines a market for which few analysts are prepared to make forecasts

HONG KONG's stock market, undervalued in conventional terms, has been looking for an excuse to rise during the past couple of months, echoing the British colony's yearning for good news as it emerges from the nine months of dejection that followed last June's Tiananmen Square crisis in China.

The necessary impetus was provided last week by exceptionally good profits from Jardine Matheson, 42 per cent up on 1988, followed by an absence of bad news from China and some encouraging noises about the importance of Hong Kong's economy from Li Peng, the Chinese prime minister.

As a result, the Hang Seng index, which rose by nearly 90 last week to 2,974.16, jumped through the elusive 3,000 barrier on Monday to close 39.86 higher at 3,014.02. This was its highest level since last June, but well below both the May 15 high of 3,309.64 and its record of 3,949.73 achieved just before the 1987 world markets crash.

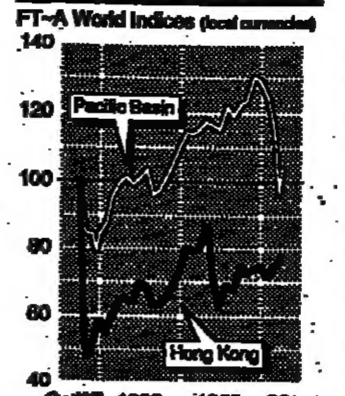
Yesterday, in the absence of a fresh impetus, the market closed at 3,010.85 after rising to 3,027 in early trading. Volume remained high at HK$1.67bn.

Few analysts were prepared yesterday to forecast the market's movements in the near future, although it was generally accepted that the important 3,000 level had switched from being a barrier to form an important support level.

"Technical analysis shows that 3,300 is not impossible, but I can't see it rushing up to 3,600 or 3,700," said Mr Chris Chong, a James Capel analyst.

"It's perfect as it is," said Mr Richard Witts, managing director of Schroders Securities, of yesterday's performance. "If it went up too fast, there would be a spate of selling."

Money has been pouring in from Taiwan's depressed market in recent weeks, mostly going into smaller property and industrial stocks such as Pacific Concord, Thomson and Asia Commercial, although not into index-moving blue chips.



But with other Asian markets proving less attractive, there has been recent buying from the UK, other parts of Europe and the US and it was this that pushed the index through 3,000, with locals following on. "Overseas fund managers are underweight in Hong Kong, and worried that they don't have enough stock for the moment when it rises," said Mr Witts.

Most analysts agree that Hong Kong stocks are seriously under-valued, trading at considerable discounts to market values. However, Mr Barry Yates, research director of First Pacific Securities, strikes a more bearish note, based partly on worries about Hong Kong's tight liquidity and rising costs. "I don't accept the cheap market argument because there could be a downturn in profits, especially in the property sector," he says.

Another worry is the colony's economic growth, which fell to 2.5 per cent last year, according to provisional government estimates. It is widely believed to have been stagnant, or even marginally negative, in the first quarter of this year. A pick-up is generally expected in the second half of the year, although that will depend on sluggish exports increasing in world markets.

For the past few days, however, the market has been focusing on the good short-term news, in the current spate of annual results. It has also been enjoying a respite from Tokyo gloom, which stunted its last attempt at a substantial recovery in early February.

China has also helped. "There is the news that Peking is sending its students home on holiday early to avoid demonstrations on key anniversaries in the next few weeks, plus the news that it is pumping money into the economy," says Mr Stewart Cook, head of research at Barings Securities. His colleague, Mr James Osborn, a Barings assistant director, makes the same point in a different way: "People seem to want to look at any news from China as good."

EUROPE

Special situations provide interest in general hiatus

BOURSES EASED in generally thin trading but individual stocks continued to catch the eye, *writes Our Markets Staff.*

FRANKFURT followed its slightly suspect improvement on Monday, when some blue chips looked nervous, with a move into reverse. After rises in the pre-bourse of about DM2 or DM3 a share, the market was easing with a 1.54 decline to 815.65 in the FAZ index at midsession.

By the close, this had stretched to a 14.55 fall to 1,924.98 in the DAX. Volume fell back from DM9.7bn to DM8bn. Dealers talked of selling orders, including instructions from Japan, pointing to a DM11.60 fall to DM791.20 in Siemens and, more particularly, to a Deutsche Bank drop from DM829 in the pre-bourse to DM817 after hours.

In steels, Thyssen came back again, by DM4.50 to DM318.50. However, dealers pointed out that it went ex a DM10 dividend on Monday, so that day's net fall was only DM2. Similarly, Allianz went ex rights yesterday and its net fall was DM32 to DM2,595.

Preussag rose another DM5.50 to DM467. There was a story that Nixdorf is to be extracted from the DAX index as it comes under the control of Siemens and that Preussag, greatly expanded by its own takeover of the Salzgitter steel group, has been chosen to replace it.

PARIS declined in low volume, with Paribas, once again, one of the few stocks to attract much activity. The CAC 40 index lost 18.20 to 1,945.96 in turnover estimated at FFr1.5bn after Monday's FFr2.1bn.

Paribas, which is holding a board meeting today, fell FFr4 to FFr694 with 816,075 shares traded, including one block of 400,000. Assurances Générales de France, the state-controlled insurer and an ally of Paribas, said that it had raised its stake from 5 per cent to 9 per cent over the last few days.

The market welcomed news that Dumez, the construction group, was selling its 12 per cent stake in Framatome, the nuclear power plant builder, to CGE. Dumez rose to FFr920, before closing at FFr900, up FFr11, while CGE slipped FFr4 to FFr567.

Skis Rossignol, the ski maker, dropped FFr35 to FFr995 after Monday's warning that it expected an annual net loss of FFr10m to FFr15m.

MILAN edged up in thin trading, beginning to be cautious before the administrative elections in May, which will reveal the coalition government's popularity. The Comit index rose 0.26 to 675.01. Local brokers expected volumes to shrink further as the elections drew closer.

Latina, the insurance company, was still sought on continued speculation that Mr Carlo de Benedetti would soon sell his controlling stake. The stock rose L150 to L15,700. Montedison and Enimont also finished higher on optimism about an accord between the state and Montedison regarding control of Enimont. Montedison added L49 to L1,939 and Enimont rose L29 to L1,450.

AMSTERDAM was generally easier but Amro Bank and ABN firmed on their merger plans. Amro rose Fl 1.50 to Fl 80.60 and ABN added 10 cents to Fl 40.20. The CBS tendency index dropped 0.8 to 115.2 in low volume.

VMF Stork, the machinery producer, was 10 cents higher at Fl 49.50 before reporting 1989 net profits up 40.6 per cent to Fl 91.6m, and predicting a further rise in earnings in 1990. But the airline, KLM, lost Fl 2.20 to Fl 36.50 following statements by the Mr Jan de Soet, chairman, that the profits outlook was worsening.

ZURICH saw higher domestic interest rates and a weak showing in Frankfurt, and the Crédit Suisse index fell 9.2 to 582.0. After hours, Pargesa said that its net profit for 1989 had fallen from SFr160m to SFr4.6m, following its decision to write off the entire cost of its indirect 13 per cent stake in Drexel Burnham Lambert, the US investment bank, at a cost of SFr200m. Pagesa held its dividend at SFr65 a share.

MADRID eased after the previous day's rise, with the general index down 0.45 at 258.13. Repsol, the oil conglomerate, eased Pta35 to Pta2,335 by the close of pit trading, before rising to Pta2,370 in continuous trading after reporting a 15 per cent rise in 1989 net profits.

VIENNA retreated in active trading as local and foreign investors took profits. The bourse index fell below the 700 level to 687.15, down 23.59, in a session extended by one hour. OEMV, the state-controlled oil company, dropped Sch1,100 to Sch12,000 and Montana, the holding company, lost Sch4,000 to Sch79,000. Länderbank preference shares fell Sch40 to Sch1,290.

OSLO edged higher in trading dominated by Nora Industrier, the food and drinks company. The all-share index rose 0.62 to 639.93 in turnover of NKr927m, NKr492m of which was accounted for by the sale of 10.9 per cent of Nora stock by Kinnevik, the Swedish investment company. Nora gained NKr25 to NKr320.

BRUSSELS was fairly flat, with the cash market index up 7.06 at 6,142.06. Groupe AG, the insurer, jumped 5.7 per cent on the forward market to BFr11,100 on takeover speculation. STOCKHOLM was little changed in thin trading, with the Affärsvärlden General index up 0.9 at 1,148.3. There was some bargain-hunting in forestry stocks.

COPENHAGEN rose as firm local bond prices boosted banking shares, with the index rising 1.41 to 379.81, while HELSINKI fell after a rise in short-term interest rates. The Unitas all-share index fell 1.9 at 636.0.

ASIA PACIFIC

Weak yen restrains Nikkei in choppy trade

Tokyo

TRADING WAS volatile yesterday, as investors were torn between a fresh surge of buying interest and concern over further yen weakness. The Nikkei index closed with a minimal loss, while the broader based Topix index posted a firm gain, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei finished 14.53 down at 31,825.96, although there was widespread buying and 631 stocks rose, against 250 declining and 71 unchanged. Reflecting that trend, the Topix index gained 25.45 to 2,339.08.

The market had opened on a positive tone, supported by institutional investors on the first trading day for delivery in the new fiscal and business year. But the Nikkei fell back sharply by midday, before resurging, rising above the 32,000 level at one stage.

The day's high was 32,164.36 and the low was 31,367.62. Turnover slipped to 680m shares from the 710m traded on Monday. In London trading, the ISE/Nikkei 50 index fell 6.83 to 1,735.79.

The last days of March have encouraged investors to buy before an expected increase in demand when the new business year starts in April.

Enthusiasm was tempered, however, by a sharp drop in the yen, which sent bond prices plunging and triggered index-linked selling in equities. The yen fell below Y157 against the dollar for the first time in more than three years.

Concern about higher interest rates remained. However, the Bank of Japan was expected to keep a lid on interest rates, said Mr Charles Lambert at Jardine Fleming. Talk of another increase in the official discount rate had not disappeared, but fears of an imminent rise had receded.

Investors had opted to buy selectively, looking for either profits growth or low price/earnings ratios, said Mr Lambert.

In the former group, shipbuilding and plant engineering companies were favoured. There was a newspaper report that Sasebo Heavy Industries, a medium-sized shipbuilding company, expected earnings for the year to March 1990 to be twice initial estimates. Sasebo rose Y100 to Y870.

Interest in Sasebo spread to other shipbuilding stocks and Mitsubishi Heavy Industries gained Y17, ex dividend, to Y921.

Plant engineers were also sought because of their strong earnings prospects. As leading exporters, they stand to benefit from a strong dollar. Toyo Engineering rose Y300, ex dividend, to Y2,200. Chiyoda, third in volume with 15.6m shares, added Y220 to Y2,620.

Electricals were popular for their low price/earnings ratios. Hitachi was the most active stock with 28.5m shares traded; it went ex scrip yesterday but closed Y10 higher at Y1,550. Both NEC and Toshiba were up Y50, ex dividend, at Y2,000 and Y1,100, respectively.

Special incentive stocks were pursued in Osaka, where the OSE average rallied strongly, posting a 934.00-point gain to 33,409.09. Volume, however, sank to 75m shares from the 317m traded on Monday.

Roundup

TOKYO'S volatility and vulnerable gold prices contributed to declines in the Pacific Basin yesterday but volumes were thin.

AUSTRALIA finished mixed, as mining and gold stocks fell sharply while industrial shares recovered from early lows as Tokyo steadied.

The All Ordinaries index lost 8.6 to 1,558.5 and the gold index dropped 82.3 to 1,623.3, after reaching a low of 1,608.7. Volume rose but was still quiet at 77m shares worth A$162m, compared with Monday's 69m and A$122m. Investors were still discouraged by the uncertainty over the outcome of last Saturday's elections.

Western Mining, the country's gold producer, was the most active stock, falling 8 cents to A$5.14 on volume of 5.73m shares. Elsewhere in the gold sector, Barrack fell 15 cents to A$1.70, Asarco lost 15 cents to A$1.22 and ACM eased 13 cents to A$1.82.

Bougainville Copper lost 10 cents to A$1.02 following forecasts by its directors of a cut in the value of assets if its Papua New Guinea mine is unable to re-open. Bell Resources retreated 9 cents to 26 cents on its second day of trading after the lifting of its suspension, imposed by the stock exchange in December.

SEOUL fell to its lowest level in 15 months in thin trading as corporate liquidity dried up before dividend and tax payment dates. The composite index fell below the 830 resistance level to close 6.62 lower at 827.92.

News that South Korea's gross national product grew 6.7 per cent last year, the lowest rate of real growth since 1982, also hurt sentiment.

NEW ZEALAND advanced in very quiet trading, with the Barclays index up 37.89 at 1,751.65 as volume shrank to 4.8m shares from Monday's 6.4m. Among blue chips, Brierley Investments gained 5 cents to NZ$1.58. TV3 Network jumped 25 cents to 85 cents after the Government suggested on Monday that it would allow foreign ownership of 25 per cent.

KUALA LUMPUR was unsettled by Tokyo's volatility and the composite index fell 2.99 to 598.38. Traders noted that daily turnover had risen to about 100m shares from recent levels of only 60m shares as investors diverted funds from Tokyo.

SINGAPORE was also put on the defensive by Tokyo but saw some erratic buying interest for blue chips. The preliminary Straits Times Industrial index rose 3.04 to 1,607.12, but volume fell to 99.9m shares from 128.5m on Monday.

TAIWAN fell in uncertain trading on continued concern about high domestic interest rates and the outflow of funds from the market. Daily turnover shrank to the lowest level this year at NT$91.9bn, down from Monday's NT$95.33bn. The weighted index lost 139.7 to 10,406.31, wiping out half of Monday's gains.

SOUTH AFRICA

JOHANNESBURG recovered part of Monday's losses as the gold bullion price steadied, and the financial rand fell sharply on political violence in the townships. The JSE Gold index recouped 37 to 1,918 after Monday's 151-point drop and the overall share index rose 38 to 3,196. Vaal Reefs added R5 to R387 after falling R39 on Monday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 26 1990						FRIDAY MARCH 23 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (83)	137.15	+0.0	125.98	122.05	+0.0	5.66	137.21	126.78	122.10	160.41	128.26	138.13
Austria (19)	274.19	−2.0	251.87	244.22	−1.5	1.09	279.69	258.44	247.93	285.63	92.84	107.94
Belgium (61)	145.11	−0.3	133.29	127.21	−0.1	4.40	145.61	134.55	127.30	160.02	125.58	129.49
Canada (120)	140.94	−0.6	129.47	119.97	−0.6	3.36	141.83	131.05	120.67	154.17	124.67	133.29
Denmark (36)	255.60	+0.4	234.79	226.92	+0.3	1.41	254.46	235.13	226.17	260.82	165.36	168.19
Finland (26)	140.70	−1.3	129.24	119.22	−1.0	2.50	142.56	131.72	120.46	159.16	118.63	144.41
France (125)	151.76	+1.1	139.40	137.41	+1.2	2.77	150.15	138.74	135.72	157.97	112.57	114.59
West Germany (96)	133.56	+0.4	122.68	119.08	+0.6	1.79	133.05	122.94	118.31	137.01	79.68	82.52
Hong Kong (48)	124.03	+1.3	113.94	124.42	+1.3	4.82	122.46	113.17	122.85	140.33	86.41	129.43
Ireland (17)	185.43	+0.3	170.33	168.41	+0.9	2.50	184.81	170.77	166.87	198.57	125.00	141.09
Italy (96)	95.22	+0.5	87.47	89.67	+0.7	2.57	94.77	87.57	89.07	102.11	74.97	80.62
Japan (455)	142.47	+3.8	130.87	140.81	+5.5	0.58	137.29	126.86	133.52	200.11	133.57	160.90
Malaysia (36)	232.46	+0.2	213.54	244.15	+0.3	2.17	232.09	214.48	243.31	245.32	143.35	161.88
Mexico (13)	381.41	−1.3	350.36	1157.22	−1.1	0.46	386.29	356.94	1170.11	409.41	153.32	167.32
Netherland (43)	138.17	+0.9	126.92	121.68	+1.2	4.59	136.89	126.49	120.27	145.66	110.63	116.37
New Zealand (17)	60.47	+0.0	55.54	55.29	−0.2	6.46	60.44	55.85	55.41	88.18	60.44	70.87
Norway (24)	239.10	+0.9	219.63	214.68	+1.1	1.58	236.87	218.87	212.35	245.90	139.92	170.09
Singapore (26)	197.12	+1.7	181.08	171.01	+1.8	1.70	193.88	179.15	167.92	199.38	124.57	147.84
South Africa (60)	194.11	−4.9	178.30	163.19	−4.0	3.62	204.15	188.64	169.99	251.39	115.36	141.41
Spain (43)	139.57	+1.1	128.21	115.78	+1.1	4.62	138.01	127.53	114.49	169.75	138.01	146.56
Sweden (35)	176.79	−0.3	162.40	161.66	+0.0	2.42	177.23	163.77	161.62	206.95	138.45	157.03
Switzerland (62)	89.18	−0.7	81.92	84.53	+0.0	2.26	89.82	83.00	84.51	99.12	67.81	74.26
United Kingdom (306)	149.96	+1.1	137.75	137.75	+0.5	4.76	148.35	137.08	137.07	164.31	133.28	146.83
USA (540)	137.03	+0.5	125.87	137.03	+0.5	3.40	136.33	126.07	136.33	146.60	112.49	119.95
Europe (969)	138.95	+0.7	127.64	125.39	+0.6	3.50	137.96	127.49	124.60	148.69	112.83	117.43
Nordic (121)	186.90	+0.1	173.52	165.59	+0.2	1.91	186.87	173.44	165.32	201.89	137.95	149.60
Pacific Basin (665)	141.69	+3.5	130.06	139.38	+5.1	0.89	136.78	126.57	132.62	194.72	133.29	176.57
Euro-Pacific (1654)	140.67	+2.4	129.41	134.29	+3.3	1.94	137.60	127.15	130.08	174.18	126.49	152.83
North America (660)	137.17	+0.4	126.00	135.94	+0.4	3.49	136.56	126.19	135.33	148.66	112.79	119.69
Europe Ex. UK (663)	130.63	+0.5	119.99	117.57	+0.7	2.71	130.02	120.15	116.73	135.73	98.30	98.26
Pacific Ex. Japan (210)	130.37	+0.8	119.78	119.49	+0.5	4.62	129.69	119.82	118.80	140.05	111.93	129.93
World Ex. US (1847)	141.53	+2.2	130.00	134.42	+3.0	2.00	138.52	128.01	130.46	173.77	126.48	152.04
World Ex. UK (2081)	137.78	+1.6	126.56	134.90	+2.3	2.27	135.55	125.25	131.82	162.00	134.02	158.06
World Ex. So. Af. (2327)	138.82	+1.7	127.24	134.24	+2.2	2.50	136.26	125.91	132.01	161.64	134.71	158.82
World Ex. Japan (1932)	138.39	+0.5	127.12	132.36	+0.5	3.55	137.74	127.27	131.75	145.32	114.51	119.03
The World Index (2387)	138.85	+1.8	127.55	135.13	+2.2	2.51	136.67	126.29	132.27	162.05	135.13	138.63

Latest prices were unavailable for this edition. Canadian and US prices taken at 3.30 (local time).
Constituent change 27/3/90: Name change: Hogg Robinson Gardner Mountain to Hogg Group (UK).